

**State of Tennessee****Health Services and Development Agency**

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**Date:** December 4, 2013

**To:** HSDA Members

**From:** Melanie M. Hill, Executive Director

**Re:** CONSENT CALENDAR JUSTIFICATION  
CN1310-036 – NHC Homecare, Murfreesboro

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility, and contribution to the orderly development of health care appear to have been demonstrated as detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on November 1, 2013, it had no opposition. If opposition is filed prior to the application being heard, it will be moved to the bottom of the regular December agenda and the applicant will make a full presentation.

**Summary—**

NHC/OP, L.P. operates eighteen licensed home care organizations providing home health services in Tennessee. With this application, it proposes to remove Franklin County from its NHC Homecare, Columbia license and add it to its NHC Homecare, Murfreesboro license. The approval of this application will not result in an increase in the number of home health agencies in the service area. Patients residing in Franklin County are currently served from the NHC Homecare, Columbia branch office in Pulaski. If this application were approved, Franklin County patients would be served from the NHC Homecare, Murfreesboro branch office located in McMinnville. The applicant estimates it would save 40 miles and 14 minutes per visit, which would permit it to operate more efficiently and economically.

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**Executive Director Justification -**

**Need-** Need is demonstrated based upon the applicant's ability to continue to serve the population it presently serves more economically and efficiently.

**Economic Feasibility-**The project is financially feasible based on its low cost. The approval of the project will permit the agency to operate more economically and efficiently.

**Contribution to the Orderly Development of Health Care-**The project does contribute to the orderly development of health care since it appears it will reduce administrative costs by reducing travel time.

*The following condition is recommended should the agency approve the application: **CONDITION:** This approval is conditioned upon the simultaneous delicensure of Franklin County from NHC Homecare, Columbia.*

**Based on these reasons, I recommend that the Agency approve certificate of need application CN1310-036.**

**Statutory Citation -TCA 68-11-1608. Review of applications -- Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

**Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR**

(1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
DECEMBER 18, 2013  
APPLICATION SUMMARY**

NAME OF PROJECT: NHC Homecare, Murfreesboro

PROJECT NUMBER: CN1310-036

ADDRESS: 1923 Memorial Blvd., Suite A  
Murfreesboro (Rutherford County), Tennessee 37129

LEGAL OWNER: NHC/OP, L.P.  
100 Vine St.  
Murfreesboro (Rutherford Co.), Tennessee 37130

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Bruce K. Duncan  
Assistant Vice President  
National Healthcare Corporation  
100 Vine St.  
Murfreesboro (Rutherford Co.), Tennessee 37130  
(615) 890-2020

DATE FILED: October 11, 2013

PROJECT COST: \$3,000.00

FINANCING: Cash Reserves

PURPOSE FOR FILING: Addition of Franklin County to the licensed service area of NHC HomeCare's existing home care license which currently licensed serves twenty-four (24) counties

### DESCRIPTION:

*The applicant is seeking consent calendar approval for the addition of Franklin County to the licensed service area of its existing home healthcare license #208. Franklin County is immediately adjacent to and south of the applicant's currently licensed service area which includes twenty-four (24) Middle Tennessee counties: Bedford, Cannon, Coffee, Clay, Cumberland, DeKalb, Davidson, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson, and Wilson. Once Franklin County is added to the licensed service area of the Murfreesboro agency, it will be removed from NHC Home Care, Columbia's licensed service area.*

### SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

#### **HOME HEALTH SERVICES**

1. The need for home health agencies/services shall be determined on a county by county basis.
2. In a given county, 1.5 percent of the total population will be considered as the need estimate for home health services in that county.  
  
The 1.5 percent formula will be applied as a general guideline, as a means of comparison within the proposed service area.
3. Using recognized population sources, projections for four years into the future will be used.
4. The use rate of existing home health agencies in the county will be determined by examining the latest utilization rate as calculated in the Joint Annual Report of existing home health agencies in the service area.

Based on the number of patients served by home health agencies in the service area, estimation will be made as to how many patients could be served in the future.

*Following Steps 1-4 above the Department of Health report that is based on 2012 data, indicates that 628 service area residents will need home health care in 2017; however 1,526 patients are projected to be served in 2017 resulting in a net excess of 898. There will not be a net increase in home health agencies serving Franklin County, since NHC Homecare, Columbia will drop Franklin County from its license if the proposed project is approved.*

## 5. Documentation from referral sources:

- a. The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.
- b. The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.
- c. The applicant shall provide letters from potential patients or providers in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.
- d. The applicant shall provide information concerning whether a proposed agency would provide services different from those services offered by existing agencies.

*The applicant did not address Standard 5.a.-d. and stated it is not applicable since there is no net increase in the service area, since NHC Homecare, Columbia will drop Franklin County from its license if the proposed project is approved.*

## 6. The proposed charges shall be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas.

- a. The average cost per visit by service category shall be listed.
- b. The average cost per patient based upon the projected number of visits per patient shall be listed.

*The applicant provides the following information on page 119 of the application. The cost per visit compared to sixteen (16) existing home health agencies currently serving Franklin County appears to be consistent with those agencies' costs.*

<i>Service</i>	<i>Applicant's Proposed Cost per Visit</i>
<i>Skilled Nursing</i>	\$109.00
<i>Physical Therapy</i>	\$137.00
<i>Occupational Therapy</i>	\$153.00
<i>Speech Therapy</i>	\$254.00
<i>HH Aide</i>	\$42.00

*The applicant projects to serve 45 patients in Year One. The applicant's projected average net charge per patient will be \$3,263.00.*

*It appears that this application will meet this criterion.*

## **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

By adding Franklin County to the license of NHC Homecare, Murfreesboro, and removing it in from the NHC Homecare, Columbia license, NHC will be able to reduce operating cost. The result would be "no net additional" licensed home health agencies serving Franklin County. The transfer of Franklin County from the license of NHC Homecare, Columbia will permit NHC/OP, LP to "more cost efficiently and effectively serve the Franklin County patients due to their geographic distance from its Murfreesboro, TN (Rutherford County) agency. NHC Homecare, Murfreesboro estimates by moving Franklin County to the Murfreesboro license would save approximately 20 miles each way plus an additional 7 minutes of productive time. On a roundtrip basis the savings equate to 40 miles and 14 minutes per visit.

NHC Homecare, Springfield has submitted an application, CN1310-037, to also be heard under the Consent Calendar during the December 18, 2013 Agency meeting. The application is for the addition of Macon County to NHC Homecare, Robertson and the removal of Macon County from NHC Homecare, Rutherford.

An overview of the project is provided in Attachment B-1 of the original application.

The applicant projects the initiation of service on February 1, 2014.

### **Ownership**

NHC/OP, L.P. owns 100% of NHC Homecare, Murfreesboro. NHC/OP, L.P. is owned 99% by National HealthCare Corporation and 1% by the limited partnership's general partner, NHC/Delaware, Inc. National HealthCare Corporation owns 100% of NHC/Delaware, Inc. NHC/OP, L.P. also owns 100% in numerous nursing facilities, assisted living, homes for the aged and home health care organizations in seven southeastern states. Eighteen (18) of NHC/OP, L.P.'s thirty-two (32) licensed Homecare agencies are located within Tennessee.

### **Service Area Demographics**

- The total population of Franklin County is estimated at 41,099 residents in calendar year (CY) 2013 increasing by approximately 1.8% to 41,842 residents in CY 2017.



- The overall statewide population is projected to grow by 3.7% from 2013 to 2017.
- The 65 and older population will decrease from 18.1% of the general population in 2013 to 17.9% in 2017. The statewide 65 and older population will increase from 14.5% in 2013 of the general population to 15.8% in 2017.
- The latest 2013 percentage of the Franklin County population enrolled in the TennCare program is approximately 15.4%, as compared to the statewide enrollment proportion of 18.4%.

*Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.*

#### **Service Area Historical Utilization**

The trend of home health patients served in the proposed expanded service area of Franklin County is presented in the table below:

	<b>Number of Licensed Agencies (2012)</b>	<b>Number of Home Health Agencies that Served (2012)</b>	<b>2010 Home Health Patients</b>	<b>2011 Home Health Patients</b>	<b>2012 Home Health Patients</b>	<b>2010-2012 Percent Changed</b>
Franklin Co.	18**	13	1,498	1,506	1,526	1.87%

*Source: 2010-2012 Home Health Joint Annual Report and DOH Licensure Applicable Listings*

*\*\*Coram Specialty Infusion Services did not start service until January 2013*

The chart above demonstrates there has been a 1.87% increase in home health patients served in Franklin County between 2010 and 2012.

The following chart identifies each agency's market share (agency patients from service area/total service area patients) and patient origin (agency service area patients/agency total patients).

**2012 Home Health Agency Service Market Share and Patient Origin**

<b>Licensed Agency</b>	<b>Agency Patients From Franklin County</b>	<b>% Market Share</b>	<b>Total Patients Served</b>	<b>Service Area Dependence</b>
Heritage Home Health	0	0.00%	280	0.00%
Home Health Care of East	171	11.21%	4,755	3.60%
Gentiva Health Services	64	4.19%	629	10.17%
Suncrest Home Health	149	9.76%	1,114	13.38%
Angel Private Duty and Home Health, Inc.	1	0.07%	73	1.37%
Coram Specialty Infusion	0	0.00%	0	0.00%
Elk Valley Health Services	3	0.20%	245	1.22%
Home Care Solutions, Inc.	16	1.05%	2,080	0.77%
Willowbrook Home Health	3	0.20%	2,149	0.14%
Amedisys Home Care	553	36.24%	1,074	51.49%
Caresouth HHA Holdings of Winchester, LLC	421	27.59%	1,371	30.71%
Continucare Healthservices, Inc. II	0	0.00%	17	0.00%
Gentiva Health Services	0	0.00%	268	0.00%
Deaconess Homecare	106	6.95%	704	15.06%
Lincoln Medical Home	2	0.13%	396	0.51%
NHC Homecare, Columbia	20	1.31%	2,134	0.94%
Amedisys Home Health Care	0	0.00%	1,431	0.00%
Friendship Home Health, Inc.	17	1.11%	1,345	1.26%
Vanderbilt HC Affiliated	0	0.00%	86	0.00%
<b>Service Area Total</b>	<b>1,526</b>			

*Source: 2012 Joint Annual Report*

The chart above reveals the following market share information and patient origin information:

- Even though there are twenty (20) home health agencies that are licensed in Franklin County, only three (3) agencies had market share in excess of 10%: Amedisys Home Care (36.24%), Caresouth HHA Holdings of Winchester, LLC (27.59%), and Home Health Care of East Tennessee, Inc. (11.21%). These three agencies accounted for over 75% of the market share. Only two other agencies had market share of 5% or greater: Deaconess Homecare (6.95%) and Suncrest Home Health (9.76%).
- Of the twenty (20) licensed home health agencies there were five (5) agencies whose dependence on patients from Franklin County was greater than 10%: Amedisys Home Care (51.49%), CareSouth HHA Holdings of Winchester, LLC

**NHC HOMECARE, MURFREESBORO**

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(30.71%), Deaconess Homecare (15.06%), Suncrest Home Health (13.38%) and Gentiva Health Services (10.17%).

### **Project Cost**

Major cost(s) are:

- CON Filing Fee- \$3,000 or 100% of total cost

### **Project Utilization**

A total of 102,500 patient visits is projected in Year One (2014) and 104,560 visits in Year Two (2015) for NHC HomeCare, Murfreesboro. In the supplemental response, projected utilization for Franklin County only following completion of the proposed project is 1,125 visits in Year 2014 and 1,225 visits in Year 2015.

### **Historical Data Chart**

- According to the Historical Data Chart NHC Homecare-Murfreesboro experienced profitable net operating results for the three most recent years reported: \$2,591,458 for 2010; \$2,126,254 for 2011; and \$2,114,578 for 2012.
- Average annual Net Operating Income (NOI) was favorable at approximately 15.5% of annual net operating revenue for the year 2012.

### **Projected Data Chart**

The Projected Data Chart for NHC HomeCare-Murfreesboro reflects \$17,425,000.00 in total gross revenue on 102,500 patient visits during the first year of operation and \$18,300,000 on 104,560 patient visits in Year Two (approximately \$175.00 per visit). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$2,233,800 in Year One increasing to \$2,260,800 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$14,528,000 or approximately 79% of total gross revenue in Year Two.
- Charity care at approximately .10% of total gross revenue in Year One and Year Two equaling to \$15,000 and \$20,000, respectively.
- Charity Care calculates to 109 patient visits per year in Year One increasing to 144 patient visits per year in Year Two.

In the supplemental response, the Projected Data Chart for Franklin County reflects \$180,000 in total gross revenue on 1,125 patient visits during the first year of operation and \$223,000 on 1,225 patient visits in Year Two. Net operating income less capital expenditures will equal \$10,675 in Year One and \$22,565 in Year Two.

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### **Charges**

In Year One of the proposed project, the average charge per case is as follows:

- The proposed average gross charge is \$170.00/patient visit
- The average deduction is \$32/patient visit, producing an average net charge of \$138/patient visit.

### **Medicare/TennCare Payor Mix**

- TennCare- The applicant expects no Medicaid or TennCare revenue
- Medicare- Charges will equal \$10,455,000 in Year One representing 60% of total gross revenue

The applicant currently participates in Medicare, but does not have a current contract with any TennCare MCO. If needed, each case is negotiated on a case by case basis, which the applicant also does with all managed care and network cases.

### **Financing**

An October 8, 2013 letter from Donald K. Daniel, NHC Senior Vice President and Controller confirms the availability of cash reserves and cash equivalents in the amount of \$74,000,000 to fund the \$3,000 proposed project.

NHC's unaudited financial statements for the period ending June 30, 2013 indicates \$74,634,000 in cash and cash equivalents, total current assets of \$429,425,000, total current liabilities of \$231,249,000 and a current ratio of 1.86:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

### **Staffing**

The proposed NHC HomeCare, Murfreesboro direct care staffing in Year One including the following:

- 42.00 FTE Nursing and
- 9.00 FTE Home Health Aides and
- 27.50 FTE Physical Therapist and
- 4.25 Occupational Therapist and
- 1.00 Speech Therapist and
- .75 Social Work

The applicant's Franklin County direct patient care staffing in Year One includes the following:

- .42 FTE Skilled Nurses and
- .09 FTE Home Health Aides and
- .28 FTE Physical Therapist and
- .04 Occupational Therapists and
- .01 Speech Therapist and
- .01 Social Workers

**Licensure/Accreditation**

NHC Homecare, Murfreesboro is licensed by the Tennessee Department of Health, Division of Health Care Facilities. A letter dated January 20, 2012 from the Tennessee Department of Health, Office of Health Licensure and Regulation, states NHC Homecare, Murfreesboro was in compliance in all areas as a result of recertification survey completed on December 13-15, 2011.

*Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **two** years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

*National Healthcare Corporation, LLC has a financial interest in this project and the following:*

**Pending Application:**

**NHC Homecare, Springfield, CN1310-037**, has a pending application scheduled to be heard under the Consent Calendar during the December 18, 2013 Agency meeting. The application is for the addition of Macon County to NHC HomeCare's existing Home Care License #205 which currently includes the counties of Cheatham, Davidson, Montgomery, Robertson, Sumner and Wilson. The parent office for this Homecare Agency is located at 2100 Park Plaza Drive, Springfield (Robertson County), Tennessee. If approved, Macon County will be removed from the NHC HomeCare license #208 located at 1923 Memorial Boulevard, Suite A, Murfreesboro (Rutherford County), Tennessee. The estimated project cost is **\$3,000**.

Outstanding Certificates of Need:

**NHC/Maury Regional Transitional Care Center, CN1307-025**, has an outstanding certificate of need that will expire on December 1, 2015. The CON was approved at the October 23, 2013 Agency meeting for the relocation and replacement of two (2) separately licensed nursing home facilities; NHC Healthcare Hillview and Maury Regional Hospital Skilled Nursing Unit, into one new center with a total of 112 beds. The estimated project cost is **\$18,161,272**. *Project Status: The project was recently approved.*

**The Health Center of Hermitage, CN1306-022**, has an outstanding certificate of need that will expire on December 1, 2015. The CON was approved at the October 23, 2013 Agency meeting for the establishment of a 90-bed nursing home by relocating 60 of the 150 nursing home beds, per TCA §68-11-1631, from the approved but unimplemented certificate of need for the Health Center of Nashville, CN1107-024A, and the addition of 30 new Medicare-certified skilled nursing home beds. The 30 requested new Medicare-certified beds are subject to the 2012-2013 Nursing Home bed pool. The estimated project cost is **\$20,142,000**. *Project Status: The project was recently approved.*

**NHC at Indian Path, LLC, CN1212-059A**, has an outstanding certificate of need that will expire on May 1, 2016. The CON was approved at the May 22, 2013 Agency meeting for the replacement and relocation of the twenty-two (22) bed Indian Path Medical Center Transitional Care Unit and the addition of thirty (30) new Medicare certified skilled nursing home beds. The facility will relocate from Indian Path Medical Center at 2000 Brookside Drive to 2300 Pavilion Drive, Kingsport (Sullivan County), TN. The new facility will be licensed as NHC at Indian Path and will contain fifty-two (52) Medicare-only (skilled) nursing home beds. The estimated project cost was **\$10,385,615.00**. *Project Status: The project was recently approved.*

**The Health Center of Nashville, LLC, CN1107-024AM**, has an outstanding certificate of need that will expire on May 1, 2016. The CON was approved at the September 28, 2011 Agency meeting for the change of site and relocation of CN1002-007A for the construction of a 150 bed nursing home from 2816 Old Hickory Boulevard, Nashville (Davidson County), TN to an unaddressed site at the intersection of HWY 100 and Pasquo Road, Nashville (Davidson County), TN. The estimated project cost was **\$23,894,100.00**. *Project Status: The Agency approved the following modifications at its October 23, 2013 meeting:*

- *An eighteen (18) month extension of the expiration date from November 1, 2014 to May 1, 2016.*

- Reduction of 60 beds from the 150 approved beds to 90 beds
- Decrease in project cost by \$2,381,950 from \$23,894,100 to \$21,512,150;
- Other changes related to the footprint of the facility including (a) reduction in overall square footage by 8,592 SF from 86,000 SF to 77,408 SF; (b) increase in therapy gym space by 2,500 SF from 2,300 SF to 4,800 SF; (c) the addition of 3,400 SF of shelled space for potential future growth.

**NHC Healthcare–Sumner, LLC, CN1108-029**, has an outstanding certificate of need that will expire on December 1, 2014. The CON was approved at the October 26, 2011 Agency meeting for the relocation of two previously approved Certificate of Need projects for 1) a sixty-two (62) bed Medicare certified nursing home project issued as CN0702-014AE and 2) the addition of thirty (30) new Medicare certified nursing home beds granted as CN0808-057AE for a project total of ninety-two (92) bed nursing home located on Nashville Pike (Hwy 31E) near Kennesaw Blvd. (on Parcels 22.01 and 24.04 on Sumner County Property tax Map 1.36, Gallatin, TN 37066). The ninety-two (92) beds will be certified as Medicare-only nursing home beds. The estimated project cost was **\$17,902,991.00**. *Project Status: A status report dated August 28, 2013 indicates NHC began site preparation work in September 2013.*

**NHC Healthcare Tullahoma, CN1007-030A**, has an outstanding certificate of need that will expire on December 1, 2013. The CON was approved at the October 27, 2010 Agency meeting for the relocation of CN0807-050A comprised of sixty (60) nursing home beds, and the addition of thirty (30) new Medicare certified nursing home beds for a total of ninety (90) nursing home beds from 30 Powers Ridge Road, Manchester (Coffee County), TN to a yet to be addressed site at Cedar Lane and Seventh Street, Tullahoma (Coffee County), TN. The additional thirty (30) nursing home beds are subject to the 125 bed Nursing Home Bed Pool for the July 2010 to June 2011 state fiscal year period. The estimated project cost was **\$14,449,438**. *Project Status: The project is complete and was licensed November 5, 2013. The Final Project Cost Report is pending.*

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no Letters of Intent, denied applications or pending applications for other health care organizations in the service area proposing this type of service.

**Outstanding Certificates of Need:**

**Coram Alternative Site Services, Inc. d/b/a Coram Specialty Infusion Services, CN1205-020**, has an outstanding certificate of need that will expire on November

14, 2014. The CON was approved at the September 26, 2012 agency meeting for the establishment of a home care organization and the initiation of home health services limited to provision and administration only of home infusion products and related nursing services ancillary to its pharmacy in a 38-county area in Middle Tennessee. The estimated project cost is \$63,000. *Project Status: Final project report is pending. Notification was received that license #624 was issued on January 30, 2013 from the Tennessee Department of Health.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME 11/6/2013



## LETTER OF INTENT



13:04:31 11/13/2013

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Winchester Herald-Chronicle which is a newspaper

(Name of Newspaper)  
of general circulation in Franklin, Tennessee, on or before October 10, 20 13,  
(County) (Month / day) (Year)  
for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

NHC Homecare, Murfreesboro Home Care  
(Name of Applicant) (Facility Type-Existing)

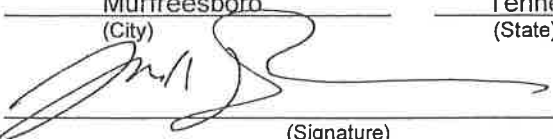
owned by: NHC/OP, L.P. with an ownership type of Limited Partnership and to be managed by: NHC/OP, L.P. intends to file an application for a Certificate of Need for: the addition of Franklin County to NHC HomeCare's existing Home Care License #208 which currently includes the following counties of Bedford, Cannon, Clay, Coffee, Cumberland, Davidson, DeKalb, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson and Wilson. The parent office for this HomeCare Agency is located at 1923 Memorial Blvd, Suite A, Murfreesboro, Rutherford County, Tennessee. The estimated project costs is \$3,000. If approved, Franklin County will be removed from the NHC HomeCare license #181 located at 915 S. James Campbell Blvd, in Columbia, Maury County, Tennessee.

The anticipated date of filing the application is: October 13, 20 13

The contact person for this project is Bruce K. Duncan Assistant Vice President  
(Contact Name) (Title)

who may be reached at: National HealthCare Corporation 100 Vine, Street, 12<sup>th</sup> Floor  
(Company Name) (Address)

Murfreesboro Tennessee 37130 615 / 890-2020  
(City) (State) (Zip Code) (Area Code / Phone Number)

 10/4/13 Bduncan@nhccare.com  
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243**

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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**COPY-**

**Application**

**NHC/LP d/b/a**

**NHC Homecare**

**/Franklin**

**CN1310-036**

**CERTIFICATE OF NEED APPLICATION**

**APPLICANT: NHC/OP, L.P., d/b/a NHC HomeCare**

**AUTHORIZED  
REPRESENTATIVE:** BRUCE K. DUNCAN  
NATIONAL HEALTHCARE CORPORATION  
100 VINE STREET, 12TH FLOOR  
MURFREESBORO, TN 37130  
615-890-2020

**PROJECT:** Add Franklin County to NHC/OP, L.P. existing licensed Home Care in Rutherford County and remove Franklin County from the NHC/OP, L.P. Home Care license in Maury County

Submitted to  
the State of Tennessee  
Health Services & Development Agency  
161 Rosa L Parks Blvd., 3<sup>rd</sup> Floor  
Nashville, TN 37243

October 11, 2013

**SECTION A:**

1.	<u><b>Name of Facility, Agency, or Institution</b></u> <b>NHC HomeCare</b> Name  <b>1923 Memorial Blvd, Suite A</b> Street or Route  <b>Murfreesboro</b> City  <b>Tennessee</b> State  <b>37129</b> Zip Code  <b>Rutherford</b> County					
2.	<u><b>Contact Person Available for Responses to Questions</b></u>  <b>Bruce K. Duncan</b> Name  <b>National HealthCare Corporation</b> Company Name  <b>100 Vine Street</b> Street or Route  <b>Murfreesboro</b> City  <b>TN</b> State  <b>37130</b> Zip Code  <b>Employee</b> Association with Owner  <b>615-890-2020</b> Phone Number  <b>615-890-0123</b> Fax Number  <b>Assistant Vice President</b> Title  <b>bduncan@nhccare.com</b> Email address					
3.	<u><b>Owner of the Facility, Agency or Institution</b></u>  <b>NHC/OP, L.P.</b> Name  <b>100 Vine Street</b> Street or Route  <b>Murfreesboro</b> City  <b>Tennessee</b> State  <b>37130</b> Zip Code  <b>615-890-2020</b> Phone Number  <b>Rutherford</b> County					
4.	<u><b>Type of Ownership or Control (Check One)</b></u>  <table style="width: 100%;"> <tr> <td style="width: 50%;"> A. Sole Proprietorship _____  B. Partnership _____  C. Limited Partnership <u>  X  </u>  D. Corporation (For Profit) _____  E. Corporation (Not-for-Profit) _____ </td> <td style="width: 50%;"> F. Government (State of TN or _____  Political Subdivision) _____  G. Joint Venture _____  H. Limited Liability Company _____  I. Other (Specify) _____  _____ </td> </tr> </table>				A. Sole Proprietorship _____ B. Partnership _____ C. Limited Partnership <u>  X  </u> D. Corporation (For Profit) _____ E. Corporation (Not-for-Profit) _____	F. Government (State of TN or _____ Political Subdivision) _____ G. Joint Venture _____ H. Limited Liability Company _____ I. Other (Specify) _____ _____
A. Sole Proprietorship _____ B. Partnership _____ C. Limited Partnership <u>  X  </u> D. Corporation (For Profit) _____ E. Corporation (Not-for-Profit) _____	F. Government (State of TN or _____ Political Subdivision) _____ G. Joint Venture _____ H. Limited Liability Company _____ I. Other (Specify) _____ _____					

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

NHC/OP, L.P.'s General Partner (1%) is NHC/Delaware, Inc. and the Limited Partner (99%) is National HealthCare Corporation. NHC/OP, L.P. owns 100% in other nursing facilities in various states. **Please see Attachment "Section A, Applicant Profile - 4 Type of Ownership or Control" located at the end of the CON application on pages 3 - 66 for a copy of the Agreement of Limited Partnership, Certificate of Existence, Organization Chart and Listing of Other operations owned by NHC/OP, L.P.**

5. **Name of Management/Operating Entity (If Applicable)****Not Applicable**

Name \_\_\_\_\_

Street or Route \_\_\_\_\_

County \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership \_\_\_\_\_

B. Option to Purchase \_\_\_\_\_

C. Lease of 5 Years \_\_\_\_\_ **X**

D. Option to Lease \_\_\_\_\_

E. Other (Specify) \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

**Please see Attachment "Section A, Applicant Profile - 6 Legal Interest in the Site" located at the end of the CON application on pages 68-71.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify) \_\_\_\_\_

B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty \_\_\_\_\_

C. ASTC, Single Specialty \_\_\_\_\_

D. Home Health Agency \_\_\_\_\_ **X**

E. Hospice \_\_\_\_\_

F. Mental Health Hospital \_\_\_\_\_

G. Mental Retardation Institutional Habilitation Facility (ICF/MR) \_\_\_\_\_

H. Intellectual Disability Institutional Habilitation Facility (IDIHF) (ICF/IID Formerly ICF/MR) \_\_\_\_\_

I. Nursing Home \_\_\_\_\_

J. Outpatient Diagnostic Center \_\_\_\_\_

K. Rehabilitation Facility \_\_\_\_\_

L. Residential Hospice \_\_\_\_\_

M. Non-Residential Substitution \_\_\_\_\_

Based Treatment Center for Opiate Addiction \_\_\_\_\_

N. Birthing Center \_\_\_\_\_

O. Other Outpatient Facility \_\_\_\_\_

P. Other (Specify) \_\_\_\_\_

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution \_\_\_\_\_

B. Replacement/Existing Facility \_\_\_\_\_

C. Modification/Existing Facility \_\_\_\_\_

D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) \_\_\_\_\_

E. Discontinuance of OB Services \_\_\_\_\_

F. Acquisition of Equipment \_\_\_\_\_

G. Change in Bed Complement \_\_\_\_\_

[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]

H. Change of Location \_\_\_\_\_

I. Other (Specify) add Franklin Co. to the existing license #208 **X**

9. **Bed Complement Data**

*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility SNF (Medicare only)	_____	_____	_____	_____	_____
M. Nursing Facility NF (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility – SNF/NF (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
O. Nursing Facility – Licensed (non-certified)	_____	_____	_____	_____	_____
P. IDIHF	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____	_____	_____
*CON Beds approved but not yet in service	_____	_____	_____	_____	_____

10. Medicare Provider Number 44-7114  
 Certification Type Home Care

11. Medicaid Provider Number N/A  
 Certification Type \_\_\_\_\_

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

\_\_\_\_\_ N/A

Not Applicable

13. Will this project involve the treatment of TennCare participants? Yes

The applicant does not have current contracts. Each case is negotiated on a case by case basis.



**NOTE:** **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. **Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility, staffing, and how the project will contribute to the orderly development of adequate and effective healthcare.**

**Proposed Services & Equipment:** Add Franklin County to NHC/OP, L.P. existing licensed Home Care in Rutherford County and remove Franklin County from the NHC/OP, L.P. Home Care license in Maury County

**Ownership Structure:** NHC/OP, L.P. (Limited Partnership)

**Service Area:** Franklin County

**Need:** Not Applicable, the applicant does not propose a net increase in service area.

**Existing Resources:** The proposed project is for the addition of Franklin County to the existing service area of NHC HomeCare, Murfreesboro. Currently, Franklin County homecare patients who use NHC HomeCare for services receive those services through NHC HomeCare, Columbia. By adding Franklin County to the license in Murfreesboro and removing it in Columbia, NHC will be able to reduce operating cost.

**Project Cost:** \$3,000

**Funding:** The project will be funded along with working capital, from NHC's cash on hand.

**Financial Feasibility:** The Projected Data Chart demonstrates the project is financially feasible by year two with positive net operating income less capital expenditures.

**Staffing:** No additional staffing is proposed

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

**A. For the establishment or modification of a healthcare institution describe the development of and need for the proposal. Health care institutions include:**

- 1. Nursing Home**
- 2. Hospital**
- 3. Ambulatory Surgical Treatment Center**
- 4. Birthing Center**
- 5. Mental Health Hospital**
- 6. Intellectual Disability Institutional Habilitation Facility**
- 7. Home Care Organization (Home Health Agency or Hospice Agency)**
- 8. Outpatient Diagnostic Center**
- 9. Rehabilitation Facility**
- 10. Residential Hospice**
- 11. Nonresidential Substitution-based Treatment Center for Opiate Addiction**

Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

The proposed project is for the addition of Franklin County to the existing service area of NHC HomeCare, Murfreesboro. Currently, Franklin County homecare patients who use NHC HomeCare for services receive those services through NHC HomeCare, Columbia. By adding Franklin County to the license in Murfreesboro and removing it in Columbia, NHC will be able to reduce operating cost. In light of the current reimbursement system which is a perspective pay model, cost savings, where possible, are important to the viability of all healthcare providers and the public who use those services. So, while this proposal will not increase reimbursement or capacity, it will allow a more cost efficient and effective delivery of service.

- B. **Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Not Applicable

Not Applicable

## SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

[illegible]

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):
1. Adult Psychiatric Services
  2. Hospital Based Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
  3. Burn Units
  4. Cardiac Catheterization Services
  5. Child and Adolescent Psychiatric Services
  6. Extracorporeal Lithotripsy
  7. Home Health Services
  8. Hospice Services
  9. Magnetic Resonance Imaging (MRI)
  10. Neonatal Intensive Care Unit
  11. Opiate Addiction Treatment provided through a Non-Residential Methadone Substitution-Based Treatment Centers for Opiate Addiction
  12. Open Heart Surgery
  13. Positron Emission Tomography
  14. Radiation Therapy/Linear Accelerator
  15. Rehabilitation Services
  16. Swing Beds
  17. Open Heart Surgery
  18. Positron Emission Tomography
  19. Radiation Therapy/Linear Accelerator
  20. Rehabilitation Services
  21. Swing Beds
  22. Discontinuation of any obstetrical or maternity service
  23. Closure of a Critical Access Hospital
  24. Elimination in a critical access hospital of any service for which a certificate of need is required.

NHC HomeCare, Murfreesboro has provided home care services in the Middle Tennessee area since 1976 or for approximately 37 years.

The proposed project is for the addition of Franklin County to the existing service area of NHC HomeCare, Murfreesboro. Currently, Franklin County homecare patients who use NHC HomeCare for services receive those services through NHC HomeCare, Columbia. By adding Franklin County to the license in Murfreesboro and removing it in , NHC will be able to reduce operating cost. In light of the current reimbursement system which is a perspective pay model, cost savings, where possible, are important to the viability of all healthcare providers and the public who use those services. So, while this proposal will not increase reimbursement or capacity, it will allow a more cost efficient and effective delivery of service.

- D. Describe the need to change location or replace an existing facility.

**Not Applicable**

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following: **Not Applicable**

1. For major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    1. Brief description of equipment including characteristics such as fixed or mobile; expected vendor and model (if known); for MRI use descriptors such as Tesla strength, open/closed bore; for linear accelerators use descriptors such as MeV strength, IMRT/IGRT/SRS capability; etc.

- 30
2. Total cost ;( As defined by Agency Rule 0720-9-.01(13))).
    - a. By Purchase or
    - b. By Lease
  3. Expected useful life;
  4. List of clinical applications to be provided; and
  5. Documentation of FDA approval.
  6. For mobile major medical equipment list all sites that the unit is currently serving and its current schedule of operations at those sites.
- b. Provide current and proposed schedules of operations.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

- III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must** include:  
 Please see drawing included in the Attachment "Section B, Project Description - III (A) Plot Plan" on page 73 at the end of the application.

1. Size of site (*in acres*); Acres
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

***Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.***

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. ***(Not applicable to home health or hospice agency applications)***

**Not Applicable**

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. ***(Not applicable to home health or hospice agency applications)***

NOTE: **DO NOT SUBMIT BLUEPRINTS**. Simple line drawings should be submitted and need not be drawn to scale.

**Not Applicable; however, a copy of floor plan is included in the Attachment "Section B – Project Description IV Floor Plan" on page 75 at the end of the application.**

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

1. **Existing service area by County;**  
Bedford, Cannon, Coffee, Clay, Cumberland, De Kalb, Davidson, Fentress, Grundy, Jackson, Marshall, Macon, Morgan, Overton, Pickett, Putnam, Rutherford Smith, Trousdale, Warren, White, Williamson, Wilson, VanBuren
2. **Proposed service area by County;**  
Bedford, Cannon, Coffee, Clay, Cumberland, De Kalb, Davidson, Fentress, Franklin, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Warren, White, Williamson, Wilson, VanBuren  
Proposing to Add Franklin County to Rutherford County License and remove from the Maury License
3. **A parent or primary service provider;**  
The primary service provider is NHC/OP, L.P. d/b/a NHC HomeCare with the parent office located at 1923 Memorial Blvd, Suite A, Murfreesboro in Rutherford County.
4. **Existing branches and/or sub-units; and**  
  
Existing branches of NHC/OP, L.P. include Cookeville, McMinnville, and Sparta.
5. **Proposed branches and/or sub-units.**  
  
No additional branches proposed.



## SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED<sup>33</sup>

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

### QUESTIONS

#### NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth, if applicable.
  - a. Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Please list each principle and follow it with a response.
  - b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the Guidelines for Growth) here.
  - c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth.

#### 1. a. Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan.

##### 1. Healthy Lives

*The purpose of the State Health Plan is to improve the health of Tennesseans.*

While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community, and state level that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where patients would be able to receive home bound nursing care and rehabilitative services at a stepped down cost from an acute care setting when ordered by a physician. The ultimate goal would be for all patients admitted under home care to return to a functioning level which is the least restrictive and least costly option available and one where the individual can live the healthiest life possible.

## **2. Access to Care**

*Every citizen should have reasonable access to health care.*

NHC's healthcare model targets patients that are Medicare qualified beneficiaries seeking home care services as ordered by a physicians. The majority of all patients placed in home care are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and over, as well as disabled individuals below that age, access to home care is a function of service availability in the market. In Franklin County, NHC is already recognized as a home care provider. The addition of Franklin County to our Murfreesboro office and removal of said county from our Columbia home care office will be seamless to patients and our referring physicians. Access will not be negatively impacted by our request.

## **3. Economic Efficiencies**

*The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

The proposed project speaks to the very heart of this principle at several levels as the project helps to insure NHC can remain competitive in our existing markets by allowing economic efficiencies related to the way we operationally serve patients within the state's health care system we have been licensed to serve.

## **4. Quality of Care**

*Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

NHC as a home care provider is surveyed the State and Federal level. Through various sources, including the Medicare.gov website and the Home Care Compare data sets, consumers can now compare and research home care providers, long term care providers and acute care providers. NHC compares favorably both at the State level and the national level regarding these measurements. Please see NHC Home Health Analysis table located in Attachment "Section C. Need – Item 1." located on page 77 at the end of the application. The attached table reflects recent quality performance. In addition, NHC's quality outcome's is also why several big health care systems are discussing establishing ACO's with NHC operations across the State of Tennessee and country.

## **5. Health Care Workforce**

*The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

**NHC is consistent with this principle and has a long outstanding history with developing, recruitment and retention of a quality health care workforce. NHC non-profit, Foundation for Geriatric Education, since its inception in 1982, has funded over \$2,300,000 in books and academic programs for a qualified health care workforce. The company also has a tuition reimbursement program which has funded over \$6,000,000 millions of dollars for direct tuition for students. In addition, the company runs several of its own training programs to educate long term care health care workers such as a two year administrator in training program, a dietetic internship program, certified nursing assistant program, and advanced geriatric therapy program. NHC is also active in the federal workforce development system in locations across our markets and locally in the Middle Tennessee area with the Middle Tennessee Workforce Development Board for over ten years.**

Please see the attachments, Section C, Need, Item I, Principles of the State Health Plan, pages 78-79, for back up tables to this section.

1. b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project.

1. The need for home health agencies/services shall be determined on a county by county basis.

The service area for the proposed project is Franklin County. NHC HomeCare is requesting to add Franklin County to its licensed HomeCare agency in Murfreesboro and remove Franklin County from its licensed HomeCare agency in Columbia.

2. In a given county, 1.5 percent of the total population will be considered as the need estimate for home health services in that county.

The 1.5 percent formula will be applied as a general guideline, as a means of comparison within the proposed service area.

The Tennessee Department of Health, Division of Health Statistics Population Estimates and Projections, Tennessee Counties and the State, population estimates for 2013 and four (4) years into the future for the designated planning horizon of 2017, for Franklin County is presented below. Using the Guidelines for Growth for Home Health Agency requirements of 1.5% of the population potentially using home health services, the service needs would be 628 home health patients. Please see Attachment: Section C – General Criteria – 1.B.2. Home Health Need located on page 81 at the end of the application.

County	# Patients Served in 2012	# of Agencies Serviced Franklin Co. in 2012	2017 Population	1.5% Guidelines*
Franklin	1,105	12	41,842	628

\*Guideline for number in population that may need home health services in the future.

Source: 2012 JAR, Tennessee Department of Health, Population Estimates and Projections, Tennessee Counties and the State

3. Using recognized population sources, projections for four years into the future will be used.

	2013	2017
Population	41,099	41,842
Increase		743
% Increase		1.8%

Source: Tennessee Department of Health, Office of Health Statistics

4. The use rate of existing home health agencies in the county will be determined by examining the latest utilization rate as calculated in the Joint Annual Report of existing home health agencies in the service area.

Based on the number of patients served by home health agencies in the service area, an estimation will be made as to how many patients could be served in the future.

County	A # Licensed Agencies	B 2012 Population	C # of Patients Served 2012	D Use Rate (Pt/ 1000 pop	E Est. 2017 Population	F Projected Capacity (DxE)	G Projected Need .015 x E	H Net Need (G-F)
Franklin	19	40,991	1,105	0.0270	41,842	1,128	628	-500
Total	19	40,991	1,105	0.0270	41,842	1,128	628	-500

Source: Division of Health Statistics, Office of Policy, Planning and Assessment, Tennessee Department of Health.

2012 Home Health Summary Report

"Home Health licensed agencies by resident counties" Department of Health Licensure

9/18/13: HSDA website

Please see Attachment: Section C – General Criteria – 1.B.2. HomeCare Need located on page 81 and Attachment Section C – General Criteria 1B.4. Inventory and Utilization on page 83-84 at the end of the application.

**5. Documentation from referral sources:**

**Not Applicable – no net increase in service area is proposed.**

- a. The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.
- b. The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.
- c. The applicant shall provide letters from potential patients or providers in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.
- d. The applicant shall provide information concerning whether a proposed agency would provide services different from those services offered by existing agencies.

**6. The proposed charges shall be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas.**

- a. The average cost per visit by service category shall be listed.
- b. The average cost per patient based upon the projected number of visits per patient shall be listed.

Charges are comparable to other home health agencies servicing Franklin County. Please see Attachment: Section C – Economic Feasibility – 6b Estimated Rates on page 119 at the end of the application.

## Section C, Item 1 (General Criteria)

- c. **Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth.**

Criteria and standards found on pages 6-7 of Tennessee's Health, Guidelines for Growth, Criteria and Standards for Certificate of Need 2000 Edition.

1) Need. The health care needed in the area to be served may be evaluated upon the following factors:

**(a) The relationship of the proposal to any existing applicable plans;**

The proposed project has been compared to the criteria and standards of the Tennessee's Health, Guidelines for Growth, Criteria and Standards for Certificate of Need 2000 Edition. As such, the project compares favorably with the Guidelines for Growth in terms of need, orderly development, and economic feasibility. Please see Question (1)(a) Section C for a full discussion of the relationship of the proposal to the Guideline for Growth.

**(b) The population served by the proposal;**

Franklin County's population is projected to grow by 1.8% from 2013 to 2017, according to The Office of Health Statistics, Bureau of Health Information, Tennessee Department of Health, Population Estimates and Projections, Tennessee Counties and the State.

The population of Franklin County is characterized by a number of elderly residents. The age 65+ population in Franklin County is projected to increase from 7,423 to 7,477, from 2013 to 2017 respectively (**The Tennessee Department of Health, Office of Health Statistics Population Estimates and Projections, Tennessee Counties and the State**) The primary population to be served by the proposal is those over the age of 65. Please see Question (3)(A), Section C.

**(c) The existing or certified services or institutions in the area;**

There are currently nineteen licensed homecare agencies in Franklin County. Please see Question (4), Section C.

**(d) The reasonableness of the service area;**

The service area for the proposed project is Franklin County. The reasonableness of the area relates to the origin of NHC HomeCare patients coming from Franklin County based on historical data. Please see Question (2), Section C.

**(e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, and low-income groups;**

The proposed project is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups who are eligible for Medicare coverage. Please see Question (3)(B), Section C.

**(f) Comparison of utilization/occupancy trends and services offered by other area providers;**

Franklin County currently has 19 licensed agencies. Of the 19 agencies, six (6) agencies did not serve any patients as reported in the 2012 Joint Annual Report. In addition, four (4) agencies served ten (10) patients or less and one (1) new agency was licensed in 2013. . However, based on our firsthand knowledge in Franklin County, and the Tennessee Guidelines for Growth, continued homecare services are certainly needed.

**(g) The extent to which Medicare, Medicaid, and medically indigent patients will be served by the project.**

HomeCare services are typically used by individuals who are eligible for Medicare coverage. TennCare and other indigent patients are served by NHC HomeCare on a case by case basis.

**2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:**

**(a) Whether adequate funds are available to the applicant to complete the project;**

The proposed project has available cash reserves to complete the project. The appropriate documentation has been included reflecting the financial position of the company. Please see Question (7), Section C.

**(b) The reasonableness of the proposed project costs;**

The proposed project cost is simply the filing fee required by HSDA. No other project cost is applicable.

**(c) Anticipated revenue from the proposed project and the impact on existing patient charges;**

The proposed project will have anticipated revenue almost entirely from Medicare. In terms of impact, existing patient charges will not change other than for inflation. Please see Question (9-10), Section C.

**(d) Participation in state/federal revenue programs;**

The proposed project is accessible to all consumers eligible for Medicare coverage. The proposed project will have anticipated revenue almost entirely from Medicare. Please see Question (9-10), Section C.

**(e) Alternatives considered;**

The project as proposed, is the result of considering several alternatives. In addition, we believe the project as proposed is the best alternative. Please see Question (12), Section C.

**(f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.**

The project being considered reflects the most effective and less costly alternative available. Very few alternatives and less costly choices are available when an individual needs Medicare services. Please see Question (12), Section C.

**3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:**

**a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, affiliation of the project with health professional schools);**

NHC HomeCare has informal working relationships with area health care providers. Those existing relationships will benefit both the project and its customers. Please see Question (13), Section C for a full discussion. In addition, NHC HomeCare has affiliation with health professional schools in

the area, which allows for student internships and residencies. Please see Question (16), Section C for a listing of NHC HomeCare participation in training programs.

**b) The positive or negative effects attributed to duplication or competition;**

We believe the effects of the project will be positive. In addition, since no capacity is changing in Franklin County, the elements of competition and duplication do not apply. Please see Question (14), Section C for additional discussion of the effects of the proposal.

**c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;**

The existing staff is currently in place for the proposal.

**4) Applications for Change of Site.**

**Not Applicable**



2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

At NHC, our company motto is Care is Our Business. NHC's long-range development plans for Franklin County is quite simple, to provide quality post-acute care services to meet the needs of the citizens of Franklin County. As an existing provider in Franklin County, we are keenly aware of the importance of being sensitive to growing and/or changing needs within the community as it relates to post-acute care. This application however, does not seek to increase market area or services, but merely to create operational efficiencies within a market we are already licensed to serve.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit a map on 8 ½ x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

The service area for this proposed project is Franklin County. This is a reasonable area since home care services are provided within a patient's home. NHC currently sees patients in Franklin County through its Columbia HomeCare license but is seeking to shift Franklin County to its Murfreesboro homecare license for operational efficiencies. **Please see the county level map in Attachment "Section C. General Criteria - 3 Service Area Map" located on pages 86-87 at the end of the application.** The continued growth in the population group aged 65 and above as documented support the continued need for and existence of high quality of care home care services in Franklin County.

4. A. 1) Describe the demographics of the population to be served by this proposal.

Franklin County's population is projected to grow by 1.8% from 2013 to 2017, according to The Office of Health Statistics, Bureau of Health Information, Tennessee Department of Health, Population Estimates and Projections, Tennessee Counties and the State.

The population of Franklin County is characterized by a number of elderly residents. The age 65+ population in Franklin County is projected to increase from 7,423 to 7,477 from 2013 to 2017 respectively (**The Tennessee Department of Health, Office of Health Statistics Population Estimates and Projections, Tennessee Counties and the State**) The primary population to be served by the proposal is those over the age of 65

Please see Attachment Section C – General Criteria – 4A Demographics of the Population Served on page 89 at the end of the application.

- 2) Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area:

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<i>Demographic Variable/ Geographic Area</i>	<i>Franklin</i>	<i>State of Tennessee Total</i>
Total Population – Current Year – 2013	41,099	6,528,014
Total Population – Projected Year - 2017	41,842	6,772,022
Total Population – % Change	1.81%	3.74%
*Target Population – 65+ Current Year - 2013	7,423	950,177
*Target Population – 65+ Projected Year - 2017	7,477	1,072,143
Target Population – 65+ % Change	0.7%	12.8%
Target Population 65+ – Projected Year (2017) as % of Total	17.9%	15.8%
Median Age - 2010 Census	41	38
Median Household Income ('07- '11)	41,362	43,989
TennCare Enrollees - June '13	6,304	1,194,908
TennCare Enrollees as a % of Total Population - 2013	15.3%	18.3%
Persons Below Poverty Level	*	*
Persons Below Poverty Level as % of Total ('07 - '11)	13.8	16.9

Source: TN Dept of Health, Office of Health Statistics, US Census Bureau  
and

Bureau of TennCare

\* Census Bureau only reports as %

\* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for the discontinuance of OB services would mainly affect Females Age 15-44; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. For projects not having a specific target population use the Age 65+ population for the target population variable.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

NHC HomeCare is proposing the addition of Franklin County to its Murfreesboro license and the removal of said county from its Columbia license. No change in services or market areas is being proposed. The services which are offered by this proposal address special needs of the senior population which are addressed through home care services. While accessibility is not the issue regarding the proposal, approval will help to create operational efficiencies.

It is and will continue to be NHC's policy to be readily accessible to consumers. NHC will continue to train staff and volunteers in the latest appropriate care regimens. In addition, the agency is also available for student training programs in conjunction with local community colleges and universities.

NHC's quality of care standards apply equally to all patients, regardless of ability to pay.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, average length of stay and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. Projects including surgery should report the number of cases and the average number of procedures per case.

Please see the following requested information relating to the home care agencies within the service area, which was gathered from the 2012, 2011 and 2010 Joint Annual Report for Home Health Agencies for a description of existing agencies in the area and their most recent published utilization data. Please see Attachment Section C – General Criteria – 5 Service Area JAR Report on page 90 at the end of the application.

### Total Patients Served in Franklin County by Agency

	Agency	Base County	Total Patients		
			2010	2011	2012
1	NHC HomeCare - Columbia	Maury	2	14	20
2	Heritage Home Health	Bedford	0	3	0
3	Home Health of East TN	Bradley	194	198	171
4	Gentiva Health Services	Coffee	87	85	64
5	Suncrest Home Health	Coffee	59	66	149
6	Angel Private Duty and Home Health	Davidson	0	0	1
7	Coram Specialty Infusion	Davidson	Licensed on 1/30/13		
8	Elk Valley Health Services	Davidson	5	5	3
9	Home Care Solutions	Davidson	36	23	16
10	Willowbrook Home Health	Davidson	14	3	3
11	Amedisys Home Care	Franklin	567	552	553
12	Caresouth HHA Holdings of Winchester	Franklin	444	447	0

13	Continuicare Healthservices II	Hamilton	0	0	0
14	Gentiva Health Services	Hamilton	0	0	0
15	Deaconess Homecare	Lincoln	72	94	106
16	Lincoln Medical Home Health	Lincoln	2	2	2
17	Amedisys Home Health Care	Rutherford	1	1	0
18	Friendship Home Health	Warren	14	13	17
19	Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs	Williamson	0	0	0
	Total		1,497	1,506	1,105

Source: TN JAR Summary Report for Home Health Agencies 2010, 2011, 2012 Report 6

Coram Specialty Infusion Services was licensed on 1/30/13 to service Franklin County.

6. Provide applicable utilization and/or occupancy<sup>48</sup> statistics for your institution for each of the past three (3) years and the projected annual utilization through the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Utilization data for NHC Home Care, Murfreesboro for each of the past three (3) years.

	<u>2010 PATIENTS</u>	<u>2011 PATIENTS</u>	<u>2012 PATIENTS</u>
NHC Home Care, Murfreesboro (Parent Office Total)	2,882	3,070	3,269

Annual utilization for each of the two (2) years following completion of the project.

	<u>2014 PATIENTS VISITS</u>	<u>2015 PATIENTS VISITS</u>
NHC Home Care, Murfreesboro	102,500	104,560

Please see Attachment, Section C, Economic Feasibility – 4, Projected Data & Historical Data Assumptions, p. 112 for the details and methodology used to project utilization.



1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a licensed architect or construction professional that support the estimated construction costs.

Please provide a letter that includes:

- 1) A general description of the project
- 2) Estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and
- 3) Attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

The only cost involved in the project is the administrative time involved in the research, preparation, and presentation of the application. ,

NHC/OP, L.P. currently employs the necessary staff to implement the project

Please see Attachment "Section C - Economic Feasibility – 1 Project Cost Chart" located on page 95 at the end of the application.

# 50 PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees \_\_\_\_\_
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees \_\_\_\_\_
3. Acquisition of Site \_\_\_\_\_
4. Preparation of Site \_\_\_\_\_
5. Construction Costs \_\_\_\_\_
6. Contingency Fund \_\_\_\_\_
7. Fixed Equipment (Not included in Construction Contract) \_\_\_\_\_
8. Moveable Equipment (List all equipment over \$50,000) \_\_\_\_\_
9. Other (Specify) \_\_\_\_\_

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land) \_\_\_\_\_
2. Building only \_\_\_\_\_
3. Land only \_\_\_\_\_
4. Equipment (Specify) \_\_\_\_\_
5. Other (Specify) \_\_\_\_\_

C. Financing Costs and Fees:

1. Interim Financing \_\_\_\_\_
2. Underwriting Costs \_\_\_\_\_
3. Reserve for One Year's Debt Service \_\_\_\_\_
4. Other (Specify) \_\_\_\_\_

D. Estimated Project Cost  
(A+B+C)

\_\_\_\_\_

E. CON Filing Fee

\_\_\_\_\_

F. Total Estimated Project Cost  
(D+E)

**TOTAL** \_\_\_\_\_

2. Identify the funding sources for this project. 51

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

The proposed project has the following source of funds: A commitment of capital cost reflected on Project Cost Chart has been secured from National Health Investors, Inc. Additionally, a commitment of working capital has been secured from National HealthCare Corporation. Debt incurred for the project will be retired as reflected on Projected Data Chart.

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other--Identify and document funding from all other sources.

**Please see letter indicating the required information in Attachment "Section C Economic Feasibility - 2" located on page 97 at the end of the application.**

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The proposed project is not projecting any capital cost, only the filing fee for the project. Please see the Projected Costs Chart.

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10:10am

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

Please see Attachment "Section C Economic Feasibility – 4 Historical & Projected Data Chart" located on page 112 at the end of the application.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge. The Projected Data Chart was used as the source for the requested calculations.

	Year One (Patient Visits 102,500)	Year Two (Patient Days 104,560)
Average Gross Charge	\$170.00	\$175.00
Average Deduction	\$ 31.85	\$ 36.07
Average Net Charge	\$138.15	\$138.93

## HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month).

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____	_____
<b>Gross Operating Revenue</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
<b>Total Deductions</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING REVENUE</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
<b>Total Operating Expenses</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
<b>Total Capital Expenditures</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

**PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in \_\_\_\_\_ (Month).

	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____
B. Revenue from Services to Patients		
1. Inpatient Services	\$ _____	\$ _____
2. Outpatient Services	_____	_____
3. Emergency Services	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____
<b>Gross Operating Revenue</b>	<b>\$ _____</b>	<b>\$ _____</b>
C. Deductions for Operating Revenue		
1. Contractual Adjustments	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____
3. Provisions for Bad Debt	_____	_____
<b>Total Deductions</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING REVENUE</b>	<b>\$ _____</b>	<b>\$ _____</b>
D. Operating Expenses		
1. Salaries and Wages	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____
3. Supplies	_____	_____
4. Taxes	_____	_____
5. Depreciation	_____	_____
6. Rent	_____	_____
7. Interest, other than Capital	_____	_____
8. Other Expenses (Specify) _____	_____	_____
<b>Total Operating Expenses</b>	<b>\$ _____</b>	<b>\$ _____</b>
E. Other Revenue (Expenses) -- Net (Specify)	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ _____</b>	<b>\$ _____</b>
F. Capital Expenditures		
1. Retirement of Principal	\$ _____	\$ _____
2. Interest	_____	_____
<b>Total Capital Expenditures</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ _____</b>	<b>\$ _____</b>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

The proposed charge schedule for year one of the proposal is as follows:

(Medicare)	<u>Current</u>	<u>Proposed</u>
Skilled Nursing Visit	\$ 155.00	\$ 155.00
Home Health Aide Visit	\$ 80.00	\$ 80.00
Physical Therapy Visit	\$ 200.00	\$ 200.00
Occupational Therapy Visit	\$ 200.00	\$ 200.00
Speech Pathology Visit	\$ 200.00	\$ 200.00
Medical Social Work Visit	\$ 185.00	\$ 185.00

There will be no adjustment to the current charge schedule as a result of this proposal.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

The proposed charges are reasonable in comparison with those of other similar agencies because all agencies are paid the same based on prospective pay under the Medicare program. The rates used for the projections for the proposed county addition to NHC HomeCare, Murfreesboro were the actual NHC HomeCare, Columbia rates projected forward to licensure date. Please see attached Report for Home Health Agencies, Dept. of Health, Report 3 for a listing of Financial Data on Charge/Cost per Visit/Hour by Discipline. Please note that the referenced Report 3 is provided for Columbia/Maury County as that is the NHC HomeCare licensed office which currently serves Franklin County.

Please see Attachment "Section C – Economic Feasibility – 6b Estimated Rates" on page 119 at the end of the application for a comparison of the proposed charges to those of similar facilities in Franklin County. Please note that Medicare reimburses providers via a perspective payment system. Providers are compensated equally based on the particular service rendered.



7. **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The projected utilization rates are sufficient to maintain cost-effectiveness. This application seeks only to add Franklin county (by transferring from another NHC HomeCare Provider) to this agency's license. NHC HomeCare—Murfreesboro was established in 1976. Please see the historical financial statements for the past three years that are included in this application which show the historical profitability of this agency. Since the application seeks only to add an additional county, no new administrative costs would be required. Please also see the proforma Projected Data Chart located in the Attachments to this CON application on page 115 for a two-year projection showing proforma profitability.

8. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

NHC HomeCare, as do most homecare providers, receive primarily reimbursement from Medicare. Additional payment sources include but are not limited to private insurance, private fund patients and TennCare on a case by case basis. NHC/OP, L.P. projects that 60% of the patient revenue from adding Franklin County will be comprised of Medicare funded patients. This estimate is consistent with NHC's Murfreesboro HomeCare license experience. The estimated Medicare net revenue for year 1 is \$10,455,000.

Source: Attachments, page 115 of the financial proforma assumptions.

9. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Please see Attachment "Section C Economic Feasibility - 2 pages 98 at the end of the application for the most recent audited financial statements for NHC (year end 12/31/2012) and the most current available 10Q, dated 6/30/13.

10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

After compiling all of the facts, it was decided that the best alternative would be to add Franklin County to the NHC HomeCare license in Murfreesboro and remove it from the NHC HomeCare, Columbia license rather than any of the alternatives considered. The advantages of this alternative are numerous and the disadvantages are minimal. On October 1, 2000 Medicare (CMS) converted the payment method for home health care agencies from per visit to per episode and at the same time changed from a cost reimbursement (under the per visit method) to the perspective payment (PPS under the per episode method). As all other payers, with the exception of Medicare, continue to recognize the "visit" as the payment unit for home health, visits continue to be indicative of the resources, etc. for home health agencies.

- (a) Do nothing at this time. This alternative was not selected. Both referenced licensed NHC agencies, Columbia and Murfreesboro, share common ownership and corporate oversight. The approval of this project will allow Franklin County to be served more efficiently and cost effectively by the licensed agency closest to the county. One reason agencies do not serve counties they are licensed in is the expense can outweigh the reimbursement. Franklin County as of the last reported data for 2011-2012 showed that six (6) agencies did not serve any patients during that time period. (2011-2012 Joint Annual Report Data and TN Board of Licensing Summary Data). By allowing Franklin County to be added to the Murfreesboro license expenses can be lowered making it easier to provide more service within the county.
- (b) Discontinue NHC HomeCare services in Franklin County out of NHC's Columbia license. This proposal was considered but rejected because NHC is seeing patients in Franklin County. According to the 2011-2012 Joint Annual Report and the State of Tennessee Board of Licensing Summary Data, of the 19 agencies licensed to provide services in Franklin County, six (6) agencies served no patients during 2011-2012 reporting period. Twelve of the agencies served ten (10) or fewer patients during the same time period. NHC is providing services in Franklin County currently, and believes it is important to continue providing homecare services. Based on the current reimbursement program by Medicare, agencies are no longer reimbursed by cost but are now reimbursed by episode. Consequently, it's very important for agencies to keep their cost as reasonable as possible.
- (c) Request to add Franklin County to the Rutherford County license and continue to serve Franklin County out of the NHC HomeCare, Columbia license. This option was rejected. The reason for changing Franklin County from the NHC Columbia license to the NHC Murfreesboro license is to save operating expense required to travel to Franklin County to see patients. As the Murfreesboro licensed agency can serve Franklin County patients more efficiently and cost effectively, it would not make sense to serve the same patients out of another agency at a higher cost to the agency.
- (d) Add Franklin County to NHC's existing NHC HomeCare Murfreesboro in Rutherford County and remove Franklin County from the NHC HomeCare, Columbia license. This proposal has been chosen because it is both economically and operationally feasible to carry out this proposal. This proposal is also being pursued because it meets the current and projected needs of Franklin County. The proposed project is also economically feasible to carry out. After compiling all of the facts, it was decided that the best alternative would be to add Franklin County to the NHC HomeCare, Murfreesboro license and remove it from the NHC HomeCare, Columbia license.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Not Applicable, the proposed project has little to no cost associated with it. Furthermore, the project does not increase capacity in the service area. The project does improve the efficiency in terms of all the possible alternatives considered.

**(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

NHC HomeCare has working relationships with numerous health care providers. A list of providers from whom the agency has received referrals for the past year is attached.

Transfer agreements will be established between all relevant health care providers in the community including but not limited to the following:

Summitt Medical Center  
 Baptist Hospital  
 Centennial Medical Center  
 St. Thomas Hospital  
 Vanderbilt University Hospital  
 Nashville Rehabilitation Hospital  
 University Medical Center  
 Department of Veterans Affairs  
 Vanderbilt Dialysis Clinic  
 DCI Summit  
 Dialysis Clinic, Inc.  
 Medic One, Inc.  
 Empact Medical Services  
 Woodbury Clinical Laboratory  
 Network Pharmacy  
 Other Area Nashville, Franklin County and surrounding health care providers

2. **Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

NHC/OP, L.P. is requesting to add Franklin County to its Murfreesboro license and remove Franklin County from its Maury County license, thus enabling a more centralized location for staff to serve Franklin County and in the process create greater efficiencies. The results are seen to have only positive effects for both the citizens of Franklin County, who need home care services, and to NHC HomeCare operationally.

National HealthCare Corporation is one of the largest providers of long-term care services in the State of Tennessee, of which NHC/OP, L.P. is a subsidiary. NHC HomeCare is committed to providing the highest quality of care at maximum efficiency. Through the proposed project, NHC will continue with its commitment to improve both efficiency and care. As reimbursement is no longer a reflection of cost, it is important to the survival of homecare operations to reduce cost where possible.

This project will serve the residents of Franklin County, and the residents of Tennessee as a whole, by continuing to provide alternatives in healthcare services. The proposed project will serve as a referral source for physicians and area hospitals.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

Staff salaries used in the financial projects are reasonable in comparison with prevailing wage patterns in the area. We know this to be true based on our ability to currently staff home care services to the required levels in and around Franklin County as well as all of our other operations across the State of Tennessee and the other states we operate in presently. Wage and salaries used in the proforma projections are consistent with what is offered in other NHC HomeCare operations in the market area and inflated forward to agency opening operations. Surveys conducted by the Tennessee Department of Labor and Workforce Development by area allow NHC to remain competitive with staff salaries in comparison with prevailing wage patterns in the area.

The anticipated staffing is not expected to change as a result of this project. Please note that therapy services are provided through contract.

**Please see Attachment "Section C Economic Feasibility – 4" located on page 117 at the end of the application for the current and/or anticipated staffing pattern for all employees providing patient care for the project reported using FTEs for these positions.**

**Please see Attachment "Section III Contribution of Orderly Development – 3" located on page 121 at the end of the application for the for the comparison of the clinical staff salaries to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development.**

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Substance Abuse Services, and/or the Department of Intellectual and Developmental Disabilities licensing requirements.**

Please see Attachment "Section C Economic Feasibility – 4" located on page 117 at the end of the application for a listing of projected human resources required by the proposal per the licensing requirements of the Department of Health. No additional staff are required as part of this proposal. In terms of human resources, this is merely an administrative paperwork change that will go undetected by the patients we care for in the service area.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. Specifically, the applicant is familiar with the Rules of The Tennessee Department of Health Board For Licensing Health Care Facilities, Chapter 1200-08-26 Standards For Homecare Organizations Providing Home Health Services.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

NHC/OP, L.P. participates in training nursing students. NHC has contracted with the following institutions as a participant in their training programs:

- 1) Middle Tennessee State University
- 2) Cumberland University
- 3) Tennessee Tech

7. (a) **Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Substance Abuse Services the Department of Intellectual and Developmental Disabilities, and/or any applicable Medicare requirements.**

The applicant has reviewed and understands the licensure requirements of the Department of Health, and/or any applicable Medicare and Medicaid requirements.

- (b) **Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

Licensure: licensed by the State of Tennessee to provide home care services

Accreditation: Not Applicable

- (c) **If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

Please see Attachment "Section III Contribution of Orderly Development – 7b" located on page 125 at the end of the application for a copy of the license held by the applicant.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction. Please also discuss what measures the applicant has or will put in place to avoid being cited for similar deficiencies in the future.

Please see Attachment Section III Contribution of Orderly Development – 7d located on page 126 at the end of the application for a copy of the most recent licensure/certification inspection with an approved plan of correction.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Not Applicable, None.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Not Applicable, None.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

If approved, the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required. The applicant files a Joint Annual Report Annually



## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Please see "Attachment – Proof of Publication" located on page 134 and the "Letter of Intent" located on page 137 at the end of the application.

## NOTIFICATOIN REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Please note that Tennessee Code Annotated 68-11-1607( c)(3) states that "...Within ten (10) days of filing an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the country mayor of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located within the corporate boundaries of a municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution based treatment center for opiate addiction has been filed with the agency by the applicant."

Please provide this documentation.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004  
Revised 08/01/2012  
Previous Forms are obsolete

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 12/18/13

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	_____	_____
2. Construction documents approved by the Tennessee ** Department of Health	_____	_____
3. Construction contract signed	_____	_____
4. Building permit secured	_____	_____
5. Site preparation completed	_____	_____
6. Building construction commenced	_____	_____
7. Construction 40% complete	_____	_____
8. Construction 80% complete	_____	_____
9. Construction 100% complete (approved for occupancy	_____	_____
10. *Issuance of license	60	02/14
11. *Initiation of service	60	02/14
12. Final Architectural Certification of Payment	_____	_____
13. Final Project Report Form (HF0055)	_____	_____

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVITSTATE OF TennesseeCOUNTY OF Rutherford

Bruce K. Duncan, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
 \_\_\_\_\_ /Assistant Vice President  
 SIGNATURE/TITLE

Sworn to and subscribed before me this 7th day of October, 2013 a Notary  
 (Month) (Year)

Public in and for the County/State of Rutherford/Tennessee.



My commission expires 9-20, 2015.  
 (Month/Day) (Year)

## **ATTACHMENTS**

**Section B - Project Description - III (A)**

**Plot Plan**

## NHC HomeCare, Murfreesboro



Please note: Memorial Blvd is also referred to as US 231 and Lebanon Road

**Section B - Project Description - IV**

**Floor Plan**





**Section C Need Item 1**  
**Principles of the State Health Plan**

# NHC HomeCare, Murfreesboro Home Health Comparison to existing Home Health Agencies Licensed in Franklin County

Agency	Base County	Preventing Unplanned Hospital Care			Patient Survey Results				
		Urgent/Unplanned Care in ER - w/out being admitted to hospital	Patients had to be admitted to hospital	Often hh team gave care in a professional way	Well hh team communicate w/patients	HH team discuss meds, pain & home safety	How do Pts rate overall care	Recommend hh agency to friends	
Tennessee Average		12%	12%	90%	88%	85%	87%	83%	
National Average		18%	17%	88%	85%	84%	84%	79%	
NHC HomeCare - Murfreesboro (Proposed Relocation)	Davidson	13%	18%	90%	89%	85%	87%	86%	
1 Heritage Home Health	Bedford	12%	26%	92%(1)	92%(1)	92%(1)	88%(1)	81%(1)	
2 Home Health of East TN	Bradley	13%	19%	90%	88%	87%	87%	85%	
3 Gentiva Health Services	Coffee	13%	23%	88%	92%	82%	86%	78%	
4 Suncrest Home Health	Coffee	9%	20%	89%	88%	84%	88%	86%	
5 Angel Private Duty and Home Hlth	Davidson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
6 Coram Speciality Infusion Services	Davidson	Licensed 1/30/13							
7 Elk Valley Health Services	Davidson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
8 Home Care Solutions	Davidson	12%	18%	94%	89%	86%	88%	88%	
9 Willowbrook Home Health	Davidson	12%	18%	93%	92%	89%	92%	91%	
10 Amedisys Home Care	Franklin	10%	22%	92%	92%	89%	89%	88%	
Caresouth HHA Holdings of Winchester	Franklin	12%	20%	90%	86%	89%	85%	80%	
11 Continucare Healthservices II	Hamilton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
13 Gentiva Health Services	Hamilton	11%	14%	91%(1)	87%(1)	87%(1)	88%(1)	85%(1)	
14 Deaconess Homecare	Lincoln	13%	21%	88%	87%	80%	89%	79%	
15 Lincoln Medical Home Health	Lincoln	11%	18%	90%(1)	87%(1)	86%(1)	88%(1)	81%(1)	
16 NHC HomeCare	Maury	13%	17%	91%	90%	89%	90%	85%	
17 Amedisys Home Health Care	Rutherford	14%	9%	90%	89%	84%	88%	82%	
18 Friendship Home Health	Warren	10%	24%	92%	88%	87%	89%	88%	
19 Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs	Williamson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

(1) Fewer than 100 patients completed the survey. Use the scores shown, with caution as the number of surveys may be too low to accurately tell how an agency is doing.

## Tuition Reimbursement Contract \$ Amount

	<u>Contract Amount</u>
2012	\$402,855.00
2011	421,533.00
2010	478,168.87
2009	516,295.43
2008	486,566.94
2007	726,835.35
2006	658,558.33
2005	553,648.56
2004	740,099.99
2003	535,480.98
2002	406,632.00
2001	315,886.60
2000	281,937.56
1999	128,290.82
1998	78,340.80
1997	70,438.00
1996	26,000.00
1995	10,750.00
1994	<u>15,500.00</u>
TOTAL	\$6,853,818.23

## TFGE \$ DONATED / RAISED

2012  
2011  
2010  
2009  
2008  
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1982

	<u>Donated</u> (Includes Books Reimbursements and Scholarship Reimb.)	<u>Raised</u> (Includes Misc. Donations)
2012	118,380.81	246,914.05
2011	97,575.41	273,966.08
2010	95,846.41	255,565.38
2009	89,518.81	247,004.13
2008	98,100.69	237,127.02
2007	173,507.81	216,378.60
2006	87,697.96	237,499.23
2005	116,725.40	224,599.34
2004	119,938.62	197,375.33
2003	103,846.70	200,715.86
2002	134,792.43	208,015.89
2001	71,782.36	161,325.43
2000	92,735.89	185,882.04
1999	117,636.23	234,488.98
1998	151,001.92	165,649.47
1997	133,007.00	171,180.00
1996	76,880.98	179,357.69
1995	71,618.25	162,775.60
1994	54,768.51	175,020.38
1993	51,246.39	144,138.33
1992	52,150.48	146,688.42
1991	40,821.04	119,167.91
1990	31,474.02	82,806.09
1989	37,795.59	68,438.41
1988	24,000.00	53,708.65
1987	28,000.00	53,408.87
1986	30,000.00	50,361.12
1985	25,500.00	35,453.00
1984	29,500.00	39,138.97
1983	24,000.00	44,981.40
1982	2,000.00	
TOTAL	<hr/> \$ 2,381,849.71	<hr/> \$ 4,819,131.67

**Section C – General Criteria - 1.B.2**

**Home Care Need**

## Need Estimate for Franklin County

10/8/2013

County	# of Patients Served 2012	2012 Population	Estimated 2017 Population	Estimated 2017 Need	Need
Franklin	1,105	40,991	41,842	628	-477
Total	1,105	40,991	41,842	628	-477

Source: Division of Health Statistics, Office of Policy, Planning and Assessment, Tennessee Dept of Health.  
2012 Home Health Summary Report

## Use Rate Formula

County	A # Licensed Agencies	B 2012 Population	C # of Patients Served 2012	D Use Rate (Pt/ 1000 pop	E Est. 2017 Population	F Projected Capacity (DxE)	G Projected Need .015 x E	H Net Need (G-F)
Franklin	19	40,991	1,105	0.0270	41,842	1,128	628	-500
Total	19	40,991	1,105	0.0270	41,842	1,128	628	-500

Source: Division of Health Statistics, Office of Policy, Planning and Assessment, Tennessee Department of Health.  
2012 Home Health Summary Report  
"Home Health licensed agencies by resident counties" Department of Health Licensure 9/18/13: HSDA website

**Section C - General Criteria – 1.B.4**

**Inventory and Utilization**

**Home Health Agencies In:***Source: Department of Health Licensure - 9/18/2013***Franklin County*****Number of Agencies Licensed for County: 19***

Heritage Home Health	(Bedford)
Home Health Care of East Tennessee, Inc	(Bradley)
Gentiva Health Services	(Coffee)
Suncrest Home Health	(Coffee)
Angel Private Duty and Home Health, Inc.	(Davidson)
Coram Specialty Infusion Services	(Davidson)
Elk Valley Health Services Inc	(Davidson)
Home Care Solutions, Inc	(Davidson)
Willowbrook Home Health Care Agency	(Davidson)
Amedisys Home Care	(Franklin)
Caresouth HHA Holdings of Winchester, LLC	(Franklin)
Continuicare Healthservices, Inc II	(Hamilton)
Gentiva Health Services	(Hamilton)
Deaconess Homecare	(Lincoln)
Lincoln Medical Home Health & Hospice	(Lincoln)
NHC Homecare	(Maury)
Amedisys Home Health Care	(Rutherford)
Friendship Home Health, Inc.	(Warren)
Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs	(Williamson)



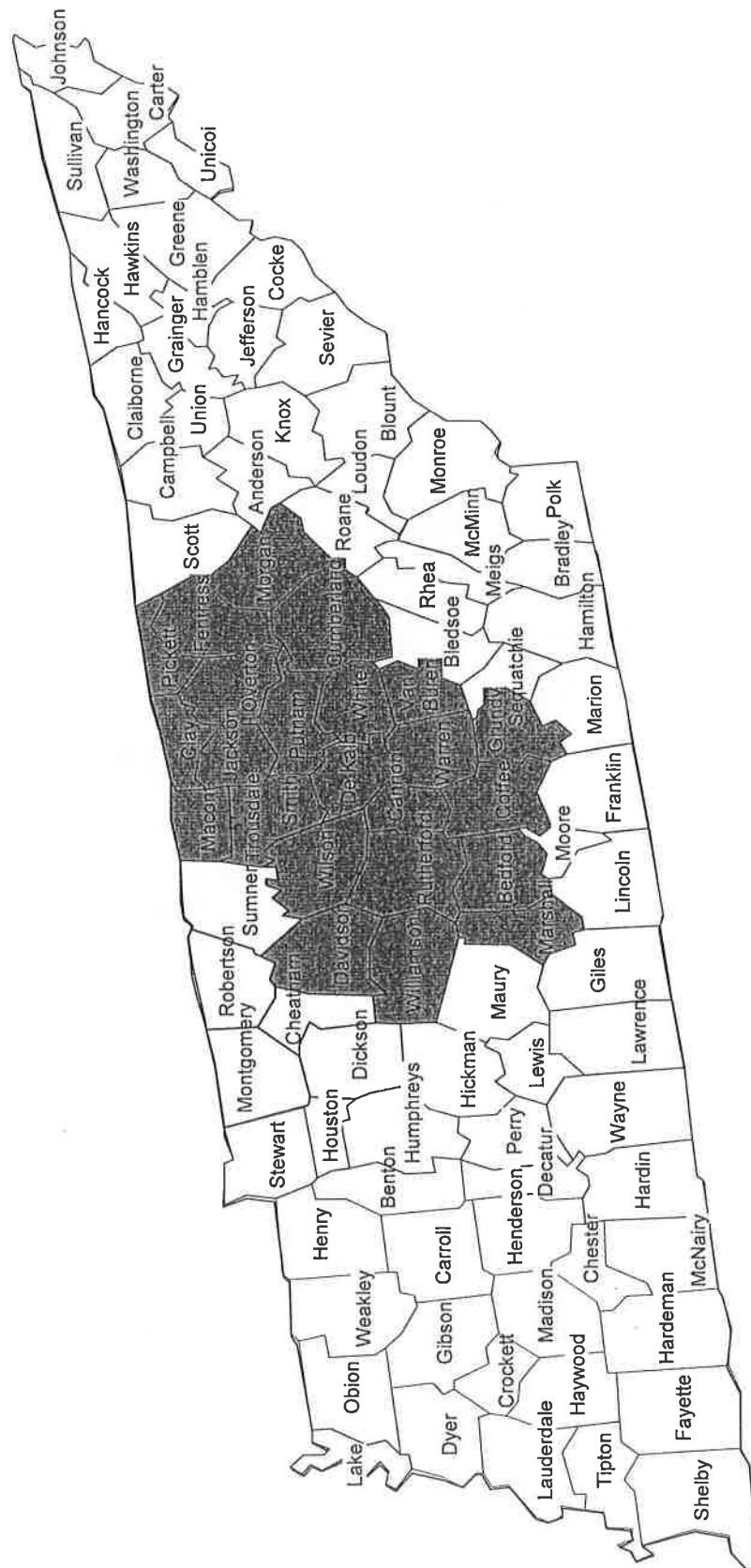
### Total Patients Served in Franklin County by Agency

Agency	Base County	Total Patients		
		2010	2011	2012
NHC HomeCare - Columbia	Maury	2	14	20
Hertiage Home Health	Bedford	0	3	0
Home Health of East TN	Bradley	194	198	171
Gentiva Health Services	Coffee	87	85	64
Suncrest Home Health	Coffee	59	66	149
Angel Private Duty and Home Hlth	Davidson	0	0	1
Coram Speciality Infusion	Davidson	Licensed on 1/30/13		
Elk Valley Health Services	Davidson	5	5	3
Home Care Solutions	Davidson	36	23	16
Willowbrook Home Health	Davidson	14	3	3
Amedisys Home Care	Franklin	567	552	553
Caresouth HHA Holdings of Winchester	Franklin	444	447	0
Continucare Healthservices II	Hamilton	0	0	0
Gentiva Health Services	Hamilton	0	0	0
Deaconess Homecare	Lincoln	72	94	106
Lincoln Medical Home Health	Lincoln	2	2	2
Amedisys Home Health Care	Rutherford	1	1	0
Friendship Home Health	Warren	14	13	17
Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs	Williamson	0	0	0
Total		1,497	1,506	1,105

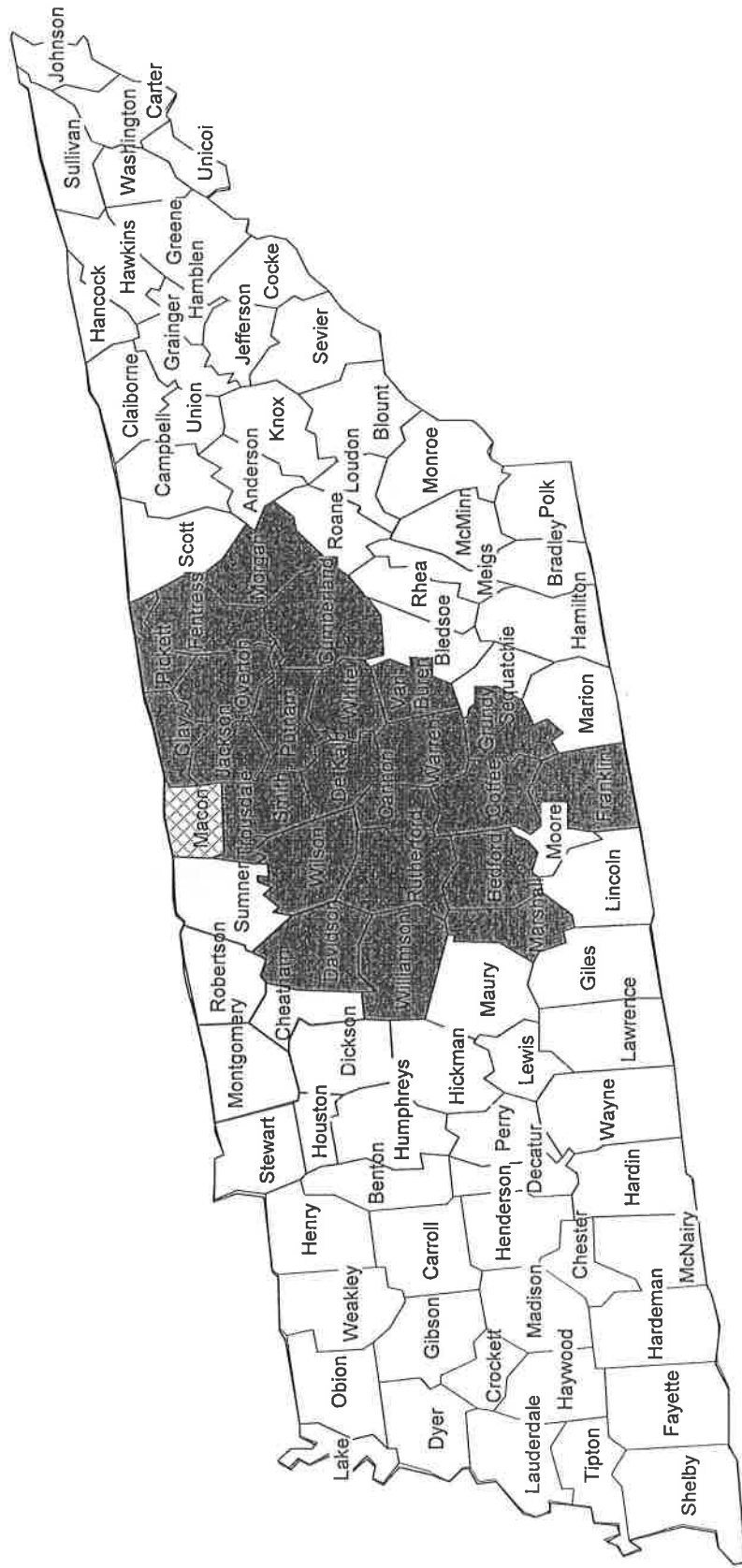
**Section C – General Criteria - 3**

**Service Area Map**

# NHC HomeCare, Murfreesboro Current Service Area



# NHC HomeCare, Murfreesboro Proposed Service Area



Please note, a separate CON has been filed to move Macon County form NHC HomeCare, Murfreesboro's service area.

**Section C – General Criteria – 4A**

**Demographics of the Population Served**

Population Projections,  
Tennessee Counties and the State,  
2010-2020

COUNTY - FRANKLIN  
SEX - Total

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0-4	2,159	2,067	2,150	2,282	2,435	2,627	2,758	2,883	3,004	3,119	3,227
5-9	2,560	2,464	2,376	2,246	2,138	2,050	2,064	2,149	2,280	2,432	2,624
10-14	2,679	2,687	2,645	2,631	2,590	2,447	2,344	2,246	2,103	1,982	1,883
15-19	2,922	2,850	2,741	2,679	2,618	2,636	2,566	2,510	2,476	2,424	2,266
20-24	2,764	2,915	3,251	3,421	3,505	3,460	3,411	3,357	3,360	3,359	3,432
25-29	2,038	1,946	1,993	2,187	2,507	2,957	3,460	3,854	4,085	4,230	4,250
30-34	2,203	2,221	2,237	2,232	2,232	2,227	2,235	2,314	2,549	2,894	3,379
35-39	2,541	2,438	2,330	2,266	2,253	2,281	2,329	2,359	2,363	2,380	2,389
40-44	2,457	2,457	2,567	2,609	2,570	2,512	2,412	2,312	2,254	2,247	2,271
45-49	3,006	2,920	2,704	2,548	2,446	2,365	2,351	2,455	2,493	2,445	2,380
50-54	3,007	2,945	2,952	2,930	2,895	2,830	2,743	2,526	2,364	2,259	2,175
55-59	2,824	3,006	2,960	2,930	2,891	2,804	2,727	2,723	2,694	2,647	2,576
60-64	2,683	2,793	2,762	2,715	2,675	2,716	2,728	2,677	2,634	2,588	2,495
65-69	2,297	2,313	2,381	2,428	2,446	2,443	2,466	2,428	2,372	2,321	2,349
70-74	1,706	1,780	1,831	1,912	1,959	1,979	1,952	2,004	2,035	2,040	2,027
75-79	1,405	1,384	1,342	1,337	1,341	1,351	1,377	1,409	1,466	1,493	1,501
80-84	865	894	939	922	922	941	899	856	835	822	815
85 plus	836	836	830	824	797	765	772	780	755	726	714
All Ages	41,052	40,916	40,991	41,099	41,230	41,391	41,594	41,842	42,122	42,408	42,753

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Note: These data will not match the University of Tennessee Center for Business and Economic Research data exactly due to rounding.

06/11/13 09:04

**Section C – General Criteria – 5**

**Service Area JAR Report**

**REPORT 6**  
**REPORT FOR HOME HEALTH AGENCIES 2012**

**HOME HEALTH AGENCIES LICENSED IN TENNESSEE**  
**PATIENT ORIGIN BY BASE COUNTY**

**Resident County:    Fentress**

(Continued)

**Resident County:    Franklin**

(Continued)

Facility Location/Name	Patients	Percent	Facility Location/Name	Patients	Percent
Davidson	1	0.1	Lincoln	108	9.8
Elk Valley Health Services	1		Deaconess Homecare	106	
Fentress	784	74.0	Lincoln Medical Home Health and Hospice	2	
Quality Home Health	539		Maury	20	1.8
Quality Private Duty Care	245		NHC Homecare	20	
Knox	1	0.1	Warren	17	1.5
University of TN Medical Center Home Care Services, LLC	1		Friendship Home Health, Inc.	17	
Overtown	238	22.5			

**Resident County:    Gibson**

Facility Location/Name	Patients	Percent	Facility Location/Name	Patients	Percent
Putnam	13	1.2	TOTAL PATIENTS	1,961	100.0
Intrepid USA Healthcare Services	13		Benton	113	5.8
Rutherford	2	0.2	Tennessee Quality Homecare - Northwest	113	
NHC Homecare	2		Carroll	7	0.4
Scott	12	1.1	Baptist Memorial Home Care	7	
Deaconess Homecare	12		Davidson	5	0.3
			Elk Valley Health Services	5	

**Resident County:    Franklin**

Facility Location/Name	Patients	Percent	Facility Location/Name	Patients	Percent
TOTAL PATIENTS	1,105	100.0	Dyer	22	1.1
Bradley	171	15.5	Regional Home Care, Dyersburg	22	
Home Health Care of East Tennessee, Inc.	171		Gibson	842	42.9
Coffee	213	19.3	NHC Homecare	310	
Gentiva Health Services	64		Volunteer Home Care, Inc.	532	
Suncrest Home Health of Manchester, Inc.	149		Madison	571	29.1
Davidson	23	2.1	Amedisys Home Health Care	127	
Angel Private Duty and Home Health, Inc.	1		Extendicare Home Health of West Tennessee	23	
Elk Valley Health Services	3		Intrepid USA Healthcare Services	12	
Home Care Solutions LLC	16		Medical Center Home Health, LLC	280	
Willowbrook Home Health Care Agency, Inc.	3		Regional Home Care, Jackson	129	
Franklin	553	50.0	Obion	15	0.8
Amedisys Home Health	553		Extendicare Home Health of Western Tennessee	15	
			Tipton	46	2.3
			Professional Home Health Care, LLC	46	



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## REPORT 6

REPORT FOR HOME HEALTH AGENCIES 2011

HOME HEALTH AGENCIES LICENSED IN TENNESSEE  
PATIENT ORIGIN BY BASE COUNTY

Resident County: Fentress

(Continued)

Facility Location/Name	Patients	Percent
Davidson	1	0.1
Elk Valley Health Services, Inc.	1	
Fentress	787	72.8
Quality Home Health	560	
Quality Private Duty Care	227	
Hamilton	3	0.3
Amedisys Home Health	3	
Overton	243	22.5
Amedisys	243	
Putnam	9	0.8
Highland Rim Home Health Agency	2	
Intrepid USA Healthcare Services	7	
Rutherford	5	0.5
NHC Homecare	5	
Scott	19	1.8
Deaconess Homecare	19	

Resident County: Franklin \*

Facility Location/Name	Patients	Percent
TOTAL PATIENTS	1,506	100.0
Bedford	3	0.2
Heritage Home Health	3	
Bradley	198	13.1
Home Health Care of East Tennessee, Inc.	198	
Coffee	151	10.0
Medical Home Health Care - Gentoo	85	
SunCrest Home Health of Manchester, Inc. Dyer's Assoc.	66	
Davidson	31	2.1
Elk Valley Health Services, Inc.	5	
LHC HomeCare Of Tennessee, LLC	23	
Willowbrook Home Health Care Agency, Inc.	3	

Resident County: Franklin \*

(Continued)

Facility Location/Name	Patients	Percent
Franklin	999	66.3
Amedisys Home Care	552	
Caresouth HHA Holdings of Winchester, LLC	447	
Lincoln	96	6.4
Deaconess Homecare	94	
Lincoln Medical Home Health and Hospice	2	
Maury	14	0.9
NHC Homecare	14	
Rutherford	1	0.1
Amedisys Home Health Care	1	
Warren	13	0.9
Friendship Home Health, Inc.	13	

Resident County: Gibson

Facility Location/Name	Patients	Percent
TOTAL PATIENTS	1,885	100.0
Benton	117	6.2
Tennessee Quality Homecare - Northwest	117	
Carroll	11	0.6
Baptist Memorial Home Care	11	
Davidson	3	0.2
Elk Valley Health Services, Inc.	3	
Dyer	17	0.9
Regional HomeCare, Dyersburg	17	
Gibson	791	42.0
NHC Homecare	269	
Volunteer Home Care, Inc.	522	
Madison	616	32.7
Amedisys Home Health Care	165	
Intrepid USA Healthcare Services	29	
Lifeline of West Tennessee, LLC	7	
Medical Center Home Health, LLC	315	

Compiled by the Division of Health Statistics, Tennessee Department of Health

Report 6, Page 11

REPORT 6  
REPORT FOR HOME HEALTH AGENCIES 2010

HOME HEALTH AGENCIES LICENSED IN TENNESSEE  
PATIENT ORIGIN BY BASE COUNTY

Resident County: **Fentress** (Continued)

Facility Location/Name	Patients	Percent
Fentress	858	75.9
Quality Home Health	677	
Quality Private Duty Care	181	
Overton	242	21.4
Amedisys	242	
Putnam	9	0.8
Highland Rim Home Health Agency	1	
Intrepid USA Healthcare Services	8	
Rutherford	1	0.1
NHC Homecare	1	
Scott	13	1.1
Deaconess Homecare	13	

Resident County: **Franklin** \*

Facility Location/Name	Patients	Percent
TOTAL PATIENTS	1,498	100.0
Bradley	194	13.0
Home Health Care of East Tennessee, Inc.	194	
Coffee	146	9.7
Doctor's Associates Home Health	59	
Medical Home Health Care	87	
Davidson	55	3.7
Elk Valley Health Services, Inc.	5	
Home Care Solutions	36	
Willowbrook Home Health Care Agency, Inc.	14	
Franklin	1,011	67.5
Amedisys Home Care	567	
Caresouth HHA Holdings of Winchester, LLC	444	
Lincoln	74	4.9
Deaconess Homecare	72	
Hospital Home Health and Hospice	2	

Lincoln Med.

Resident County: **Franklin** \* (Continued)

Facility Location/Name	Patients	Percent
Maury	3	0.2
CareAll Homecare Services	1	
NHC Homecare	2	
Rutherford	1	0.1
Amedisys Home Health Care	1	
Warren	14	0.9
Friendship Home Health, Inc.	14	

Resident County: **Gibson**

Facility Location/Name	Patients	Percent
TOTAL PATIENTS	1,864	100.0
Benton	117	6.3
Tennessee Quality Homecare - Northwest	117	
Carroll	12	0.6
Baptist Memorial Home Care	12	
Davidson	3	0.2
Elk Valley Health Services, Inc.	2	
Home Care Solutions	1	
Dyer	12	0.6
Regional HomeCare, Dyersburg	12	
Gibson	819	43.9
NHC Homecare	312	
Volunteer Home Care, Inc.	507	
Madison	559	30.0
Amedisys Home Health Care	145	
Extencare Home Health of West Tennessee	9	
Intrepid USA Healthcare Services	14	
Medical Center Home Health, LLC	297	
Regional Home Care, Jackson	94	
Obion	76	4.1
Extencare Home Health of Western Tennessee	76	

**Section C - Economic Feasibility – 1**  
**Project Costs Chart & Assumptions**

NHC HomeCare—Murfreesboro  
Provider Group

**PROJECT COSTS CHART**

**A. Construction and equipment acquired by purchase:**

- |  |       |
|--|-------|
| 1. Architectural and Engineering Fees                                | _____ |
| 2. Legal, Administrative, Consultant Fees                            | _____ |
| 3. Acquisition of Site (Building, including estimated closing costs) | _____ |
| 4. Preparation of Site   | _____ |
| 5. Construction Costs  | _____ |
| 6. Contingency Fund  | _____ |
| 7. Fixed Equipment (Not included in Construction Contract)           | _____ |
| 8. Moveable Equipment (List all equipment over \$50,000)             | _____ |
| 9. Other (Specify) Landscaping, pre-opening, impact fees             | _____ |

**B. Acquisition by gift, donation or lease:**

- |  |       |
|--|-------|
| 1. Facility (Inclusive of building and land) | _____ |
| 2. Building Only                             | _____ |
| 3. Land Only                                 | _____ |
| 4. Equipment (Specify)                       | _____ |
| 5. Other (Specify)                           | _____ |

**C. Financing costs and Fees:**

- |  |       |
|--|-------|
| 1. Interim Financing                   | _____ |
| 2. Underwriting Costs                  | _____ |
| 3. Reserve for One Year's Debt Service | _____ |
| 4. Other (Specify)                     | _____ |

D. Total Estimated Project Cost (A + B + C)	_____ <b>0</b>
--	----------------

E. CON Filing Fee	_____ <b>3,000.00</b>
-------------------	-----------------------

F. Total Estimated Project Cost (D + E)	_____ <b>\$ 3,000</b>
--	-----------------------

## **Section C – Economic Feasibility - 2**

### **Project Funding**

October 8, 2013

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services and Development Agency  
161 Rosa L. Parks Blvd, 3<sup>rd</sup> Floor  
Nashville, TN 37243

RE: NHC HomeCare, Murfreesboro (Addition of Franklin County) \$3,000

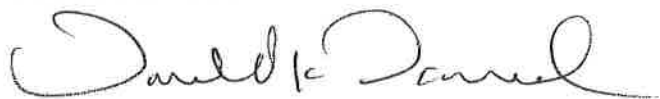
Dear Ms. Hill:

National HealthCare Corporation, a NYSE Amex publicly traded company with over \$74,000,000 of cash and cash equivalents, as stated in the June 30, 2013 10-Q, will make available all the necessary funds for the operation and working capital for the above referenced project. These funds are available on immediate notice.

Should you have any further questions or comments, please advise.

Sincerely,

**NATIONAL HEALTHCARE CORPORATION**



Donald K. Daniel  
Senior Vice President and Controller

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-13489

**NHC**

NATIONAL HEALTHCARE CORPORATION

(Exact name of registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

52-2057472  
(I.R.S. Employer  
Identification No.)

100 E. Vine Street  
Murfreesboro, TN  
37130

(Address of principal executive offices)  
(Zip Code)

(615) 890-2020

Registrant's telephone number, including area code

Indicate by check mark whether the registrant: (1) Has filed all reports required to be filed by Section 13 or 15(d), of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit and post such files).  
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer (Do not check if a smaller reporting  
company) ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as is defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

14,065,449 shares of common stock of the registrant were outstanding as of July 29, 2013.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Income**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012 <i>(as adjusted)</i>	2013	2012 <i>(as adjusted)</i>
Revenues:				
Net patient revenues	\$ 178,401	\$ 173,737	\$ 356,831	\$ 349,850
Other revenues	13,610	13,931	29,558	27,868
Net operating revenues	192,011	187,668	386,389	377,718
Cost and Expenses:				
Salaries, wages and benefits	109,358	104,713	216,421	211,184
Other operating	48,728	49,224	103,139	100,752
Facility rent	9,870	9,847	19,738	19,694
Depreciation and amortization	6,972	7,386	13,928	14,766
Interest	82	108	166	226
Total costs and expenses	175,010	171,278	353,392	346,622
Income Before Non-Operating Income	17,001	16,390	32,997	31,096
Non-Operating Income	6,632	5,907	13,250	11,775
Income Before Income Taxes	23,633	22,297	46,247	42,871
Income Tax Provision	(9,291)	(8,742)	(18,100)	(16,662)
Net Income	14,342	13,555	28,147	26,209
Dividends to Preferred Stockholders	(2,168)	(2,168)	(4,336)	(4,336)
Net Income Available to Common Stockholders	\$ 12,174	\$ 11,387	\$ 23,811	\$ 21,873
Earnings Per Common Share:				
Basic	\$ 0.88	\$ 0.82	\$ 1.72	\$ 1.58
Diluted	\$ 0.86	\$ 0.81	\$ 1.68	\$ 1.57
Weighted Average Common Shares Outstanding:				
Basic	13,816,536	13,845,516	13,838,936	13,842,797
Diluted	16,682,970	13,975,073	16,708,889	13,941,674
Dividends Declared Per Common Share	\$ 0.32	\$ 0.30	\$ 0.62	\$ 0.60

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*



**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Comprehensive Income**  
*(unaudited – in thousands)*

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012 <i>(as adjusted)</i>	2013	2012 <i>(as adjusted)</i>
Net Income	\$ 14,342	\$ 13,555	\$ 28,147	\$ 26,209
Other Comprehensive Income (Loss):				
Unrealized gains (losses) on investments in marketable securities	(13,606)	5,351	2,158	14,007
Less: Reclassification adjustment for realized gains on sale of securities	(154)	(300)	(384)	(987)
Income tax (expense) benefit related to items of other comprehensive income (loss)	5,194	(1,949)	(896)	(5,059)
Other comprehensive income (loss), net of tax	(8,566)	3,102	878	7,961
Comprehensive Income	\$ 5,776	\$ 16,657	\$ 29,025	\$ 34,170

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Balance Sheets**  
*(unaudited - in thousands)*

	June 30, 2013	December 31, 2012 <i>(as adjusted)</i>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 74,634	\$ 66,701
Restricted cash and cash equivalents	14,525	11,563
Marketable securities	114,113	107,250
Restricted marketable securities	135,232	135,207
Accounts receivable, less allowance for doubtful accounts of \$3,223 and \$3,166, respectively	76,511	76,959
Inventories	6,349	6,660
Prepaid expenses and other assets	2,397	1,132
Notes receivable	5,664	5,840
Federal income tax receivable	-	5,933
Total current assets	<u>429,425</u>	<u>417,245</u>
Property and Equipment:		
Property and equipment, at cost	695,485	675,455
Accumulated depreciation and amortization	<u>(268,410)</u>	<u>(254,548)</u>
Net property and equipment	<u>427,075</u>	<u>420,907</u>
Other Assets:		
Deposits	174	143
Goodwill	17,600	17,600
Notes receivable	15,547	15,949
Deferred income taxes	14,984	12,817
Investments in limited liability companies	<u>37,655</u>	<u>40,039</u>
Total other assets	<u>85,960</u>	<u>86,548</u>
Total assets	<u>\$ 942,460</u>	<u>\$ 924,700</u>

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Balance Sheets**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

	June 30, 2013	December 31, 2012 <i>(as adjusted)</i>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Trade accounts payable	\$ 11,251	\$ 10,555
Accrued payroll	39,199	37,243
Amounts due to third party payors	20,754	19,267
Accrued risk reserves	114,863	110,331
Deferred income taxes	25,168	24,474
Other current liabilities	13,291	20,411
Dividends payable	6,723	6,480
Total current liabilities	<u>231,249</u>	<u>228,761</u>
Long-term debt	10,000	10,000
Refundable entrance fees	10,640	10,680
Obligation to provide future services	1,791	1,791
Other noncurrent liabilities	15,044	13,890
Deferred revenue	4,913	3,430
Stockholders' Equity:		
Series A Convertible Preferred Stock; \$.01 par value; 25,000,000 shares authorized; 10,838,305 and 10,838,412 shares, respectively, issued and outstanding; stated at liquidation of \$15.75 per share	170,512	170,514
Common stock, \$.01 par value; 30,000,000 shares authorized; 14,065,302 and 14,158,127 shares, respectively, issued and outstanding	140	141
Capital in excess of par value	151,399	154,692
Retained earnings	295,086	279,993
Accumulated other comprehensive income	51,686	50,808
Total stockholders' equity	<u>668,823</u>	<u>656,148</u>
Total liabilities and stockholders' equity	<u>\$ 942,460</u>	<u>\$ 924,700</u>

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Cash Flows**  
*(unaudited – in thousands)*

	Six Months Ended June 30	
	2013	2012 <i>(as adjusted)</i>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 28,147	\$ 26,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,928	14,766
Provision for doubtful accounts receivable	1,522	1,141
Equity in earnings of unconsolidated investments	(7,595)	(6,016)
Distributions from unconsolidated investments	9,979	4,394
Gains on sale of marketable securities	(384)	(987)
Deferred income taxes	(2,368)	(1,571)
Stock-based compensation	1,359	1,398
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents	(5,602)	(3,420)
Accounts receivable	(1,074)	3,076
Income tax receivable	5,933	3,779
Inventories	311	625
Prepaid expenses and other assets	(1,265)	(1,230)
Trade accounts payable	696	(3,556)
Accrued payroll	1,956	(14,640)
Amounts due to third party payors	1,487	(125)
Other current liabilities and accrued risk reserves	(2,588)	5,222
Other noncurrent liabilities	1,154	343
Deferred revenue	1,483	1,867
Net cash provided by operating activities	<u>47,079</u>	<u>31,275</u>
<b>Cash Flows From Investing Activities:</b>		
Additions to property and equipment	(20,096)	(6,242)
Acquisition of non-controlling interest in hospice business	-	(7,500)
Collections of notes receivable, net	578	20
Change in restricted cash and cash equivalents	2,640	1,070
Purchase of marketable securities	(42,881)	(36,228)
Sale of marketable securities	38,150	33,871
Net cash used in investing activities	<u>(21,609)</u>	<u>(15,009)</u>
<b>Cash Flows From Financing Activities:</b>		
Tax expense from stock-based compensation	(225)	(270)
Dividends paid to preferred stockholders	(4,336)	(4,336)
Dividends paid to common stockholders	(8,475)	(8,348)
Issuance of common shares	270	5,583
Repurchase of common shares	(4,700)	-
Entrance fee refunds	(40)	(790)
Change in deposits	(31)	96
Net cash used in financing activities	<u>(17,537)</u>	<u>(8,065)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	7,933	8,201
<b>Cash and Cash Equivalents, Beginning of Period</b>	66,701	61,008
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 74,634</u>	<u>\$ 69,209</u>

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-13489

**NHC**

NATIONAL HEALTHCARE CORPORATION

(Exact name of registrant as specified in its Corporate Charter)

**Delaware**  
(State of Incorporation)

**52-2057472**  
(I.R.S. Employer I.D. No.)

**100 Vine Street  
Murfreesboro, Tennessee 37130**  
(Address of principal executive offices)  
Telephone Number: **615-890-2020**

Securities registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on which Registered
<b>Shares of Common Stock</b>	<b>NYSE MKT</b>
<b>Shares of Preferred Cumulative Convertible Stock</b>	<b>NYSE MKT</b>

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act). Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of Common Stock held by non-affiliates on June 30, 2012 (based on the closing price of such shares on the NYSE MKT) was approximately \$308 million. For purposes of the foregoing calculation only, all directors, named executive officers and persons known to the Registrant to be holders of 5% or more of the Registrant's Common Stock have been deemed affiliates of the Registrant.

The number of shares of Common Stock outstanding as of February 12, 2013 was 14,158,127.

**Documents Incorporated by Reference**

The following documents are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K:  
The Registrant's definitive proxy statement for its 2013 shareholder's meeting.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
National HealthCare Corporation

We have audited the accompanying consolidated balance sheets of National HealthCare Corporation as of December 31, 2012 and 2011 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National HealthCare Corporation at December 31, 2012 and 2011 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), National HealthCare Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February \_\_, 2013, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee  
February \_\_, 2013

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Income**  
*(in thousands, except share and per share amounts)*

	Year Ended December 31,		
	2012	2011	2010
Revenues:			
Net patient revenues	\$ 705,386	\$ 715,489	\$ 663,629
Other revenues	55,876	58,048	57,024
Net operating revenues	<u>761,262</u>	<u>773,537</u>	<u>720,653</u>
Costs and Expenses:			
Salaries, wages and benefits	426,934	428,672	400,270
Other operating	198,691	198,439	197,016
Rent	39,355	39,736	38,086
Depreciation and amortization	29,792	28,901	27,141
Interest	455	443	513
Total costs and expenses	<u>695,227</u>	<u>696,191</u>	<u>663,026</u>
Income Before Non-Operating Income	66,035	77,346	57,627
Non-Operating Income	<u>25,245</u>	<u>20,533</u>	<u>23,340</u>
Income Before Income Taxes	91,280	97,879	80,967
Income Tax Provision	<u>(33,323)</u>	<u>(33,807)</u>	<u>(28,272)</u>
Net Income	<u>57,957</u>	<u>64,072</u>	<u>52,695</u>
Dividends to Preferred Stockholders	<u>(8,671)</u>	<u>(8,671)</u>	<u>(8,673)</u>
Net Income Available to Common Stockholders	<u>\$ 49,286</u>	<u>\$ 55,401</u>	<u>\$ 44,022</u>
Earnings Per Common Share:			
Basic	\$ 3.56	\$ 4.02	\$ 3.22
Diluted	\$ 3.49	\$ 3.90	\$ 3.22
Weighted Average Common Shares Outstanding:			
Basic	13,852,709	13,774,628	13,671,053
Diluted	16,598,816	16,414,023	13,676,476

*The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Comprehensive Income**  
*(in thousands)*

	Year Ended December 31,		
	2012	2011	2010
Net Income	\$ 57,957	\$ 64,072	\$ 52,695
Other Comprehensive Income:			
Unrealized gains on investments in marketable securities	23,099	598	15,016
Income tax expense related to items of other comprehensive income	(8,993)	(183)	(5,809)
Other comprehensive income, net of tax	14,106	415	9,207
Comprehensive Income	\$ 72,063	\$ 64,487	\$ 61,902

*The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.*



**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Balance Sheets**  
*(in thousands)*

	December 31,	
	2012	2011
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 66,701	\$ 61,008
Restricted cash and cash equivalents	11,563	50,587
Marketable securities	107,250	85,051
Restricted marketable securities	135,207	83,625
Accounts receivable, less allowance for doubtful accounts of \$3,166 and \$3,713, respectively	74,693	71,696
Inventories	6,660	7,419
Prepaid expenses and other assets	1,132	1,082
Notes receivable	5,840	1,260
Federal income tax receivable	5,933	6,470
Total current assets	<u>414,979</u>	<u>368,198</u>
Property and Equipment:		
Property and equipment, at cost	675,455	659,523
Accumulated depreciation and amortization	<u>(254,548)</u>	<u>(229,872)</u>
Net property and equipment	<u>420,907</u>	<u>429,651</u>
Other Assets:		
Deposits	143	397
Goodwill	17,600	20,320
Notes receivable	15,949	21,189
Deferred income taxes	10,564	10,167
Investments in limited liability companies	40,039	20,502
Total other assets	<u>84,295</u>	<u>72,575</u>
Total assets	<u>\$ 920,181</u>	<u>\$ 870,424</u>

*The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.*

## NATIONAL HEALTHCARE CORPORATION

## Consolidated Balance Sheets

*(in thousands, except share and per share amounts)*

	December 31,	
	2012	2011
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	\$ 10,555	\$ 9,834
Accrued payroll	37,243	54,063
Amounts due to third party payors	17,001	16,807
Accrued risk reserves	110,331	98,732
Deferred income taxes	24,474	14,526
Other current liabilities	20,411	20,335
Dividends payable	6,480	6,362
Total current liabilities	226,495	220,659
Long-Term Debt	10,000	10,000
Other Noncurrent Liabilities	13,890	16,244
Deferred Revenue	10,124	11,785
Stockholders' Equity:		
Series A Convertible Preferred Stock; \$.01 par value; 25,000,000 shares authorized; 10,838,412 and 10,838,490 shares, respectively, issued and outstanding; stated at liquidation value of \$15.75 per share	170,514	170,515
Common stock, \$.01 par value; 30,000,000 shares authorized; 14,158,127 and 13,862,738 shares, respectively, issued and outstanding	141	138
Capital in excess of par value	154,692	139,183
Retained earnings	283,517	265,198
Accumulated other comprehensive income	50,808	36,702
Total stockholders' equity	659,672	611,736
Total liabilities and stockholders' equity	\$ 920,181	\$ 870,424

*The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Cash Flows**  
*(in thousands)*

	Year Ended December 31,		
	2012	2011	2010
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 57,957	\$ 64,072	\$ 52,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,792	28,901	27,141
Provision for doubtful accounts receivable	2,455	2,430	2,256
Equity in earnings of unconsolidated investments	(13,616)	(9,674)	(8,993)
Distributions from unconsolidated investments	6,317	10,828	6,462
Recovery of assets in acquisition of healthcare centers	—	—	(3,563)
Gains on sale of marketable securities	(1,640)	(754)	(891)
Deferred income taxes	558	1,990	3,505
Stock-based compensation	2,366	2,751	321
Changes in operating assets and liabilities, net of the effect of acquisitions:			
Restricted cash and cash equivalents	(7,636)	(7,830)	(2,509)
Accounts receivable	(7,263)	5,032	(15,817)
Income tax receivable	537	(3,779)	3,470
Inventories	759	434	(372)
Prepaid expenses and other assets	(77)	169	(166)
Trade accounts payable	831	(1,113)	(352)
Accrued payroll	(16,418)	2,008	5,205
Amounts due to third party payors	481	(860)	(891)
Other current liabilities and accrued risk reserves	11,675	(9,129)	(103)
Other noncurrent liabilities	(2,354)	(2,617)	(3,772)
Deferred revenue	(31)	(35)	(265)
Net cash provided by operating activities	64,693	82,824	63,361
<b>Cash Flows From Investing Activities:</b>			
Additions to and acquisitions of property and equipment	(22,003)	(23,372)	(32,293)
Acquisition of non-controlling interest in hospice business	(7,500)	(7,500)	—
Acquisition of homecare business	—	—	(14,342)
Collections of notes receivable, net	660	1,222	1,300
Decrease in restricted cash and cash equivalents	46,660	9,235	47,451
Purchases of marketable securities	(111,691)	(57,597)	(93,305)
Sale of marketable securities	62,649	46,266	43,849
Cash acquired in acquisition of facilities	—	—	989
Net cash used in investing activities	(31,225)	(31,746)	(46,351)
<b>Cash Flows From Financing Activities:</b>			
Tax (expense) benefit from stock-based compensation	(267)	(52)	154
Dividends paid to preferred stockholders	(8,671)	(8,671)	(8,673)
Dividends paid to common stockholders	(30,849)	(15,952)	(14,780)
Issuance of common shares	13,412	8,392	2,655
Repurchase of common shares	—	—	(5,944)
Entrance fee refunds	(1,630)	(2,170)	(957)
(Increase) decrease in deposits	230	(95)	21
Other	—	—	(30)
Net cash used in financing activities	(27,775)	(18,548)	(27,554)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,693</b>	<b>32,530</b>	<b>(10,544)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>61,008</b>	<b>28,478</b>	<b>39,022</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 66,701</b>	<b>\$ 61,008</b>	<b>\$ 28,478</b>

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NATIONAL HEALTHCARE CORPORATION  
Consolidated Statements of Cash Flows  
(continued)

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<i>(in thousands)</i>	Year Ended December 31,		
	2012	2011	2010
<b>Supplemental Information:</b>			
Cash payments for interest	\$ 383	\$ 501	\$ 658
Cash payments for income taxes	34,142	40,798	22,969
Non-cash activities include:			
Effective January 1, 2012, NHC assigned the assets and liabilities of eight Solaris Hospice programs to Caris in exchange for an additional limited partnership interest.			
Current assets assigned	1,862	—	—
Property and equipment assigned	303	—	—
Current liabilities assigned	(799)	—	—
Goodwill	2,945	—	—
Investment in limited liability company	(4,311)	—	—
Effective December 1, 2010, NHC acquired the assets and assumed certain liabilities of two 120-bed long-term health care centers. The consideration given was first mortgage bonds owned by NHC.			
Real and personal property	—	—	(4,873)
Current assets acquired	—	—	(1,958)
Current liabilities acquired	—	—	1,623
First mortgage revenue bonds	—	—	1,645
Gain on recovery of assets	—	—	3,563

*The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.*

**Section C Economic Feasibility – 4**  
**Historical & Projected Data Charts w/Assumptions**

NHC HomeCare—Murfreesboro  
Provider Group

**HISTORICAL DATA CHART**

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	2010	2011	2012
A. Utilization Data (Specify unit of measure) Patient Visits	96,141	97,334	97,572
Licensed Beds			
% Occupancy (Licensed Beds)	N/A	N/A	N/A
B. Revenue from Services to Patients			
1. Inpatient Services			
2. Outpatient Services	14,137,703	14,860,066	16,229,682
3. Emergency Services			
4. Other Operating Revenue	9,927	9,443	9,422
(Specify) (See attached schedule)			
<b>Gross Operating Revenue</b>	<b>\$ 14,147,630</b>	<b>\$ 14,869,509</b>	<b>\$ 16,239,104</b>
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ (801,189)	\$ (1,591,968)	\$ (2,566,069)
2. Provision for Charity Care	(5,473)	(4,763)	(8,017)
3. Provisions for Bad Debt	(48,456)	(40,956)	(45,039)
<b>Total Deductions</b>	<b>\$ (855,118)</b>	<b>\$ (1,637,687)</b>	<b>\$ (2,619,125)</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 13,292,512</b>	<b>\$ 13,231,822</b>	<b>\$ 13,619,979</b>
D. Operating Expenses			
1. Salaries and Wages	\$ 3,758,223	\$ 3,928,191	\$ 4,147,897
2. Physician's Salaries and Wages (Medical Services)	15,815	14,360	11,807
3. Supplies	301,561	332,998	353,303
4. Taxes	4,611	5,154	5,472
5. Depreciation	77,046	71,014	62,291
6. Rent	309,618	321,251	336,278
7. Interest, other than Capital	13	103	117
8. Management Fees:			
a. Fees to Affiliates	1,384,446	1,480,302	1,460,334
a. Fees to Non-Affiliates	0	0	0
9. Other Expenses (Specify) See Attached Schedule	4,849,721	4,952,195	5,127,902
<b>Total Operating Expenses</b>	<b>\$ 10,701,054</b>	<b>\$ 11,105,568</b>	<b>\$ 11,505,401</b>
E. Other Revenue (Expenses)—Net (Specify)			
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 2,591,458</b>	<b>\$ 2,126,254</b>	<b>\$ 2,114,578</b>
F. Capital Expenditures			
1. Retirement of Principal	\$ -		
2. Interest	0	0	0
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 2,591,458</b>	<b>\$ 2,126,254</b>	<b>\$ 2,114,578</b>
<b>LESS CAPITAL EXPENDITURES</b>			

## NHC HomeCare--Murfreesboro Provider Group

### Detail Schedule of Other Revenue and Other Expenses

	2010	2011	2012
<b>Other Revenue:</b>			
Rental Income	8,954	8,980	9,004
Interest Income	604	52	66
Miscellaneous	369	411	352
Total Other Revenue	<u>\$9,927</u>	<u>\$9,443</u>	<u>\$9,422</u>

<b>Other Expense:</b>			
Payroll Taxes and Benefits	1,135,087	1,157,091	1,119,572
Contract Services--affiliates	1,755,282	1,792,275	1,999,262
Contract Services--non affiliates	1,272,771	1,341,671	1,341,615
Mileage and Travel	373,113	353,125	366,867
Telephone and Utilities	109,346	108,097	102,992
Recruiting	14,741	18,310	18,115
Education	35,562	24,111	14,601
Postage and Delivery	8,820	13,163	18,798
Employee Relations	20,531	21,902	19,821
Equipment Rental and Repair	39,064	32,981	32,411
Public Relations	38,924	39,562	44,333
Miscellaneous	46,480	49,907	49,515
Total Other Expense	<u>\$4,849,721</u>	<u>\$4,952,195</u>	<u>\$5,127,902</u>

NHC HomeCare—Murfreesboro  
Provider Group

**PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January (Month).

	<b>2014</b>	<b>2015</b>
A. Utilization Data (Specify unit of measure) Patient Visits	<u>102,500</u>	<u>104,560</u>
(Specify unit of measure) (% Occupancy)	<u>N/A</u>	<u>N/A</u>
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	<u>17,425,000</u>	<u>18,300,000</u>
3. Emergency Services		
4. Other Operating Revenue (Specify)		
<b>Gross Operating Revenue</b>	<b>\$ 17,425,000</b>	<b>\$ 18,300,000</b>
C. Deductions for Operating Revenue		
1. Contractual Adjustments	<u>\$ (3,200,000)</u>	<u>\$ (3,700,000)</u>
2. Provision for Charity Care	<u>(15,000)</u>	<u>(20,000)</u>
3. Provisions for Bad Debt	<u>(50,000)</u>	<u>(52,000)</u>
<b>Total Deductions</b>	<b>\$ (3,265,000)</b>	<b>\$ (3,772,000)</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 14,160,000</b>	<b>\$ 14,528,000</b>
D. Operating Expenses		
1. Salaries and Wages	<u>\$ 4,350,000</u>	<u>\$ 4,450,000</u>
2. Physician's Salaries and Wages	<u>15,000</u>	<u>16,000</u>
3. Supplies	<u>370,000</u>	<u>380,000</u>
4. Taxes	<u>6,000</u>	<u>6,000</u>
5. Depreciation	<u>60,000</u>	<u>60,000</u>
6. Rent	<u>350,000</u>	<u>360,000</u>
7. Interest, other than Capital	<u>200</u>	<u>200</u>
8. Management Fees		
a. Fees to Affiliates	<u>1,475,000</u>	<u>1,495,000</u>
b. Fees to Non-Affiliates		
9. Other Expenses (Specify) - SEE ATTACHED SCHEDULE	<u>5,300,000</u>	<u>5,500,000</u>
<b>Total Operating Expenses</b>	<b>\$ 11,926,200</b>	<b>\$ 12,267,200</b>
E. Other Revenue (Expenses)—Net (Specify)		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 2,233,800</b>	<b>\$ 2,260,800</b>
F. Capital Expenditure		
1. Retirement of Principal		
2. Interest		
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b>\$ 2,233,800</b>	<b>\$ 2,260,800</b>



## NHC HomeCare--Murfreeseboro Provider Group

### Detail Schedule of Other Revenue and Other Expenses

	2014	2015
<b>Other Revenue:</b>		
Interest Income	0	0
Miscellaneous	0	0
Total Other Revenue	<u>\$0</u>	<u>\$0</u>

<b>Other Expense:</b>		
Payroll Taxes and Benefits	1,215,000	1,230,000
Contract Services--affiliates	2,100,000	2,200,000
Contract Services--non affiliates	1,350,000	1,420,000
Mileage and Travel	340,000	350,000
Telephone and Utilities	105,000	107,000
Recruiting	19,000	19,000
Education	20,000	21,000
Postage and Delivery	18,000	19,000
Employee Relations	20,000	20,500
Equipment Rental and Repair	33,000	33,000
Public Relations	40,000	40,500
Miscellaneous	40,000	40,000
Total Other Expense	<u>\$5,300,000</u>	<u>\$5,500,000</u>

**NHC HomeCare, Murfreesboro**  
Staffing - Full Time Equivalents  
for Employees providing Patient Care

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Nursing	42.00
HHA	9.00
PT	27.50
OT	4.25
ST	1.00
Social Work	0.75

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Total	84.50
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**Section C – Economic Feasibility – 6b**

**Estimated Rates**

**NHC HomeCare Cost Per Visit Comparison  
to existing Home Health Agencies Licensed in Franklin County**

2012-10-10 14:00

Agency	Cost Per Visit								
	Base County	HH Aides	Homemaker Services	Medical Social Services	Occupational Therapy	Physical Therapy	Skilled Nursing	Speech Therapy	Other
<b>NHC HomeCare - Murfreesboro (Proposed Relocation)</b>	<b>Rutherford</b>	<b>\$42</b>	<b>\$0</b>	<b>\$108</b>	<b>\$153</b>	<b>\$137</b>	<b>\$109</b>	<b>\$254</b>	<b>*</b>
Hertiage Home Health	Bedford	\$35	\$0	\$98	\$96	\$71	\$72	\$0	*
Home Health of East TN	Bradley	\$59	\$0	\$152	\$158	\$105	\$153	\$126	*
Gentiva Health Services	Coffee	\$60	*	\$133	\$249	\$177	\$130	\$200	*
Suncrest Home Health	Coffee	\$51	\$0	\$184	\$106	\$169	\$109	\$205	\$0
Angel Private Duty and Home Hlth	Davidson	*	*	*	*	*	*	*	*
Coram Speciality Infusion	Davidson	Licensed on 1/30/13							
Elk Valley Health Services	Davidson	*	*	*	*	*	*	*	*
Home Care Solutions	Davidson	\$66	*	\$200	\$248	\$197	\$115	\$346	*
Willowbrook Home Health	Davidson	\$105	\$0	\$437	\$223	\$180	\$203	\$177	\$0
Amedisys Home Care	Franklin	\$14	\$0	\$66	\$77	\$69	\$45	\$76	\$0
Caresouth HHA Holdings of Winchester	Franklin	\$46	*	\$138	\$120	\$115	\$100	\$129	*
Continuicare Healthservices II	Hamilton	\$112	\$0	\$710	\$207	\$175	\$169	\$130	*
Gentiva Health Services	Hamilton	\$82	*	\$224	\$163	\$173	\$119	\$193	*
Deaconess Homecare	Lincoln	\$40	\$0	\$200	\$150	\$145	\$160	\$175	\$0
Lincoln Medical Home Health	Lincoln	\$64	\$0	\$231	\$127	\$125	\$140	\$144	\$0
NHC HomeCare	Maury	\$45	\$0	\$145	\$180	\$142	\$114	\$198	\$0
Amedisys Home Health Care	Rutherford	\$15	\$0	\$50	\$67	\$72	\$47	\$79	*
Friendship Home Health	Warren	\$39	\$0	\$70	\$95	\$165	\$182	\$63	\$0
Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs	Williamson	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

\* Not Applicable or undefined for this agency.

Source: TN JAR Summary Report for Home Health Agencies 2012

**Section III – Contribution of Orderly Development – 7d**

**NHC HomeCare, Murfreesboro Survey Results**

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STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
OFFICE OF HEALTH LICENSURE AND REGULATION  
EAST TENNESSEE REGION  
5904 LYONS VIEW PIKE  
KNOXVILLE, TENNESSEE 37919

January 20, 2012

Ms. Kelly Harries, Administrator  
NHC Homecare Murfreesboro  
1923 Memorial Boulevard, Suite A  
Murfreesboro, TN 37129

Re: 44-7114

Dear Ms. Harries:

The East Tennessee Region of Health Care Facilities conducted a recertification survey/complaint investigation on December 13-15, 2011. A desk review of your plan of correction for deficiencies cited as a result of the survey was conducted. Based on the review, we are accepting your plan of correction and are assuming your facility is in compliance with all participation requirements as of January 12, 2012.

If you have any questions, please contact the East Tennessee Regional Office by phone (865-588-5656) or by fax (865-594-5739).

Sincerely,

*Karen B. Kirby /dt*

Karen B. Kirby, RN  
Regional Administrator

KBK/dt

TN00028954

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STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
OFFICE OF HEALTH LICENSURE AND REGULATION  
EAST TENNESSEE REGION  
5904 LYONS VIEW PIKE  
KNOXVILLE, TENNESSEE 37919

December 20, 2011

Ms. Kelly Harries, Administrator  
NHC Homecare Murfreesboro  
1923 memorial Boulevard, Suite A  
Murfreesboro, TN 37129

Dear Ms. Harries:

Enclosed is the Statement of Deficiencies developed as the result of the survey/complaint investigation conducted at your facility on December 13-15, 2011.

In accordance with CFR Title 42 §488.28(b), you are requested to submit a Plan of Correction within ten (10) calendar days after receipt of this letter with acceptable time frames for correction of the cited deficiencies. Corrective action should be achieved before January 29, 2012, the 45th day from the date of the survey. Please notify this office when these deficiencies are corrected. A revisit may be conducted to verify compliance. Once corrective action is confirmed, a favorable recommendation for recertification will be considered.

Your POC must contain the following:

- What corrective action(s) will be accomplished for those patients found to have been affected by the deficient practice;
- How you will identify other patients having the potential to be affected by the same deficiency practice and what corrective action will be taken;
- What measures will be put into place or what systemic changes you will make to ensure that the deficient practice does not recur; and,
- How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

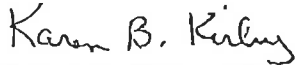
120

Ms. Kelly Harries  
December 20, 2011  
Page 2

Please remember the administrator's signature and date signed must be on the appropriate line at the bottom of form CMS 2567 Statement of Deficiencies/Plan of Correction. Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

Should you have any questions or if there is any way this office may be of assistance, please do not hesitate to call.

Sincerely,

  
Karen B. Kirby, RN  
Regional Administrator

KBK/dt

Enclosure

# TN00028954

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DEPARTMENT OF HEALTH AND HUMAN SERVICES 121  
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  447114		(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  12/15/2011	
NAME OF PROVIDER OR SUPPLIER  NHC HOMECARE MURFREESBORO				STREET ADDRESS, CITY, STATE, ZIP CODE 1923 MEMORIAL BLVD, SUITE A MURFREESBORO, TN 37129			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)			ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETION DATE
G 000	INITIAL COMMENTS			G 000			
G 164	<p>A complaint survey (TN00028862 and TN00028954) was completed at NHC Homecare Murfreesboro from December 13, 2011 to December 15, 2011 with the recertification survey. Complaint #TN00028862 was not substantiated and Complaint #TN00028954 was substantiated.</p> <p>484.18(b) PERIODIC REVIEW OF PLAN OF CARE</p> <p>Agency professional staff promptly alert the physician to any changes that suggest a need to alter the plan of care.</p> <p>This STANDARD is not met as evidenced by: Based on medical record review and interview, the facility failed to notified the physician of change in wound care for one patient (#15) and allegation of abuse/neglect/exploitation for one patient (#16), of twenty patients reviewed.</p> <p>The findings included:</p> <p>Patient #15 was admitted to the agency on October 21, 2011 with diagnoses including Pressure Ulcer - Heel and Paraplegia.</p> <p>Medical record review of the referral dated October 19, 2011 revealed a physician's order for skilled nursing visits every three days to perform wound care on the right heel pressure ulcer. Review revealed the agency was to use Santyl ointment (active enzymatic therapy that continuously removes necrotic tissue from wounds at the microscopic level) every three days on the right heel pressure ulcer.</p>			G 164			
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE					TITLE		(X6) DATE

deficiency statement ending with an asterisk (\*) denotes a deficiency which the institution may be excused from correcting providing it is determined that safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES 122  
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  447114	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  12/15/2011
NAME OF PROVIDER OR SUPPLIER  NHC HOMECARE MURFREESBORO			STREET ADDRESS, CITY, STATE, ZIP CODE 1923 MEMORIAL BLVD, SUITE A MURFREESBORO, TN 37129		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
G 164	Continued From page 1  Medical record review of the nurse's notes dated October 21, 24, 26, 28, November 4 and 8, 2011 revealed the nurse used Acquacel (silver impregnated antimicrobial dressing that kills wound bacteria) and not the Sanlyl ordered by the physician on the referral.  Review of physician communication notes revealed no documentation the physician was notified of the change in wound care prior to November 9, 2011.  Interview with Director of Services #1 on December 15, 2011, in the conference room, confirmed no documentation the physician was notified of change in the patient's wound care prior to November 9, 2011.  Patient #16 was admitted to the agency on August 6, 2011 with diagnoses including Obstructive Chronic Bronchitis, Acute Respiratory Failure and Schizophrenia.  Medical record review of the Follow-Up Oasis (Outcome and Assessment Information Set) dated October 3, 2011 revealed "...evidence of abuse/neglect/exploitation...inadequate meds (medications)/care..."  Medical record review of the physician communication notes revealed no documentation the physician was notified of the allegation of abuse/neglect/exploitation.  Interview with Director of Services #2 on December 15, 2011, in the conference room, confirmed no documentation the physician was	G 164			

DEPARTMENT OF HEALTH AND HUMAN SERVICES 123  
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  447114	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  12/15/2011
NAME OF PROVIDER OR SUPPLIER  NHC HOMECARE MURFREESBORO			STREET ADDRESS, CITY, STATE, ZIP CODE 1923 MEMORIAL BLVD, SUITE A MURFREESBORO, TN 37129		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
G 164	Continued From page 2 notified of the allegation of abuse/neglect/exploitation.  c/o # 28954	G 164			

## Division of Health Care Facilities

124

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNH142	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  12/15/2011
NAME OF PROVIDER OR SUPPLIER  NHC HOMECARE MURFREESBORO			STREET ADDRESS, CITY, STATE, ZIP CODE 1923 MEMORIAL BLVD, SUITE A MURFREESBORO, TN 37129		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X6) COMPLETE DATE
H 002	1200-8-26 No Deficiencies.  A Licensure survey and complaint survey (TN00028862 and TN00028954) was completed at NHC Homecare Murfreesboro from December 13, 2011 to December 15, 2011. No licensure deficiencies were cited under 1200-8-26 Standards for Home Care Organizations Providing Home Health Services.	H 002			

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

FORM

6807

007P11

If continuation sheet 1 of 1

**Attachment – Proof of Publication**



**COPY-**

**SUPPLEMENTAL-1**

NHC/LP d/b/a NHC  
Homecare/Franklin

**CN1310-036**

**OMISSION RESPONSES  
TO  
NHC/LP CON APPLICATION FOR:  
NHC HOMECARE/MURFREESBORO  
REQUEST TO ADD FRANKLIN COUNTY TO  
NHC HOMECARE, MURFREESBORO**

**October 21, 2013**

**ATTN: MR. PHILLIP M. EARHART, HEALTH SERVICES DEVELOPMENT  
EXAMINER**



OCT 22 '13 10:02

**1. Section A, Applicant Profile, Item 13**

Please clarify the reason why the applicant does not have contracts with TennCare managed care organizations and why care for TennCare enrollees must be negotiated on a case per case basis.

NHC HomeCare previously had a contract with AmeriChoice. However, due to increased administrative requirements (such as weekly billing instead of monthly) and a written provision that we were required to accept every AmeriChoice patient referred to us, we were unable to agree on terms for a new contract. These provisions were not in our original contract and AmeriChoice indicated no changes could be made—that these were TennCare requirements. We handle each referral on a case by case basis in order to assure we have adequate staff to do the billing (we must do this manually since claims have to be done weekly rather than monthly) and in order to assure we have sufficient appropriately qualified staff to handle the medical needs of the patient.

## 2. Section B, Project Description, Item 1

The applicant states by adding Franklin County to the Murfreesboro/NHC license and removing it from the Columbia, NHC license will reduce operating cost. What type of operating cost will be reduced and by what amount.

**Our projections for the reduction in operating costs relate to mileage and staffing and are estimated to be between \$ 15,000 and \$25,000 per year. Other costs are expected to remain the same.**

The applicant has requested consent calendar for this project. Please address the reason consent calendar is being requested as it relates to each of the following: 1) Need, 2) Economic Feasibility, and the 3) Orderly development to health care.

**Consent Calendar is being requested for this project which is consistent with past requests for similar projects. Regarding the three criteria, the following observations can be made which support our consent request:**

**Need - no net increase in services are being requested.**

**Economic Feasibility - the project proposed requires no capital expenditure, only the minimum filing fee of \$3,000 is required. Some positive operational costs can be realized by making the requested change.**

**Orderly Development - the proposed project will help to reduce operating costs but will not affect patient care or costs paid for care.**

What is the staff travel time and distance from NHC Homecare-Maury to Winchester (Franklin County), TN, and NHC Homecare Murfreesboro to Winchester (Franklin County), TN.?

**NHC Home Care has been providing services to patients in Franklin County from a branch office in Pulaski, TN. The Pulaski office is a branch office of NHC HomeCare—Columbia.**

**We are requesting to move Franklin County to the license for NHC HomeCare—Murfreesboro so that patients located in Franklin County, TN can be served by our branch office located in McMinnville which would be closer. It is approximately 62 miles from our Pulaski office to Franklin county (using the courthouse as a measurement point) and takes approximately 1 hour and 12 minutes to make the drive. This is one way.**

**Our office in McMinnville is located approximately 42 miles from Franklin County (using the courthouse as a measurement point) and takes approximately 1 hour and 5 minutes to make the drive. This is one way.**

**Therefore, by moving Franklin County to our Murfreesboro license so that we could serve patients from our McMinnville branch we would save approximately 20 miles each way plus an additional 7 minutes of productive time. On a roundtrip basis that would equate to a savings of 40 miles and 14 minutes per visit.**

**3. Section B, Project Description, Item II.C.**

Please briefly describe the Prospective Pay Model. There appears to be a typo on page 7. Did the applicant mean "prospective" rather than "perspective"?

Please see the attached page 7 revising the typo and now correctly referencing prospective pay model.

A brief description of the Prospective Pay Model is as follows:

Effective October 1, 2000 Medicare established a new payment methodology for home health services which provides for payment of a prospectively determined amount per episode of care. A 60-day episode was selected as the basic unit for payment and this per-episode amount generally is paid regardless of the number of days services are rendered or the number of visits provided. The payment amount is based on a case-mix category assigned based on the patient's clinical and functional status, the number of therapy visits provided, and whether the patient's episode is considered early or late. The clinical and functional components of the case-mix category are determined from information gathered at the time of the initial assessment (OASIS) made by the nurse or therapist upon admission of the patient. The service component is determined based on the number of therapy visits the patient receives during the episode. An additional amount is added to each episode for non-routine supplies. This case-mix weight is then multiplied by the standardized prospective payment amount as established by CMS and published in the Federal Register and a wage index is applied in the calculation based on where the patient resides. The result of which is that providers are paid a set amount (with a few exceptions) to provide home health care to each Medicare patient at a pre-established amount per episode of care.

II.

132  
SUPPLEMENTAL- # 1  
OCTOBER 22  
10:10am  
Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. For the establishment or modification of a healthcare institution describe the development of and need for the proposal. Health care institutions include:

1. Nursing Home
2. Hospital
3. Ambulatory Surgical Treatment Center
4. Birthing Center
5. Mental Health Hospital
6. Intellectual Disability Institutional Habilitation Facility
7. Home Care Organization (Home Health Agency or Hospice Agency)
8. Outpatient Diagnostic Center
9. Rehabilitation Facility
10. Residential Hospice
11. Nonresidential Substitution-based Treatment Center for Opiate Addiction

Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

The proposed project is for the addition of Franklin County to the existing service area of NHC HomeCare, Murfreesboro. Currently, Franklin County homecare patients who use NHC HomeCare for services receive those services through NHC HomeCare, Columbia. By adding Franklin County to the license in Murfreesboro and removing it in Columbia, NHC will be able to reduce operating cost. In light of the current reimbursement system which is a prospective pay model, cost savings, where possible, are important to the viability of all healthcare providers and the public who use those services. So, while this proposal will not increase reimbursement or capacity, it will allow a more cost efficient and effective delivery of service.

**4. Section B, Project Description, Item V.**

The Tennessee Health Care Facilities licensure web-site list Macon County as a certified county for NHC Homecare/Rutherford, but is not listed by the applicant as an existing service area in the application. Please clarify.

**Please see the revised and corrected page 13 which includes Macon County in the existing and proposed service area.**

Please list the certified counties for NHC/Maury County (license #181).

**Bedford, Cheatham, Davidson, Dickson, Franklin, Giles, Hardin, Hickman, Houston, Humphreys, Lawrence, Lewis, Lincoln, Marshall, Maury, Montgomery, Moore, Perry, Rutherford, Stewart, Wayne, Williamson**

**5. Section C, Need, 1.a., Specific Criteria, Item 2.**

There appears to be a typo stating there is a need for 358 home health visits in the proposed service area. Please verify if the unit of measure is meant to be in patients rather than visits. Also, is the need 477 patients rather than 358?

**Please see the revised response attached, page 17, referencing patients. The need shown is (477) rather than 358 in Franklin County.**

**6. Section C, Need, 1.a., Specific Criteria, Item 4.**

Please re-verify the Projected Capacity calculation in Column "F" in the home health need formula table.

**We have checked our calculation in Column F and have confirmed its accuracy. Please note that a hand calculation may render a number slightly different due to rounding since a computer was used to generate the referenced table which does not use numbers rounded off but instead uses numbers taken out several decimal points. Please see the attached table which more accurately reflects the numbers the computer is using to generate the projected need formula. The original table is correct as submitted.**

The proposed service area map is noted. Please clarify why Macon County is not highlighted as other counties in the applicant's service area. If needed, please submit a revised county level map that includes Macon County.

**Please note we have submitted two (2) service area maps. The first is the Current Service Area and the second is the Proposed Service Area. While the Proposed Service Area map shows the requested addition of Franklin County it also references the fact that there is a pending Certificate of Need Application, CN1310-037, which would remove Macon County from NHC HomeCare's Murfreesboro license if approved. The agency is currently reviewing this application at this time as well.**

## Need Estimate for Franklin County

10/8/2013

County	# of Patients Served 2012	2012 Population	Estimated 2017 Population	Estimated 2017 Need	Need
Franklin	- 1,105	40,991	41,842	628	-477
Total	1,105	40,991	41,842	628	-477

Source: Division of Health Statistics, Office of Policy, Planning and Assessment, Tennessee Dept of Health.  
2012 Home Health Summary Report

## Use Rate Formula

County	A # Licensed Agencies	B 2012 Population	C # of Patients Served 2012	D Use Rate (Pt/ 1000 pop	E Est. 2017 Population	F Projected Capacity (DxE)	G Projected Need .015 x E	H Net Need (G-F)
Franklin	19	40,991	1,105	0.026957	41,842	1,127.9	628	-500
Total	19	40,991	1,105	0.026957	41,842	1,127.9	628	-500

Source: Division of Health Statistics, Office of Policy, Planning and Assessment, Tennessee Department of Health.  
2012 Home Health Summary Report  
"Home Health licensed agencies by resident counties" Department of Health Licensure 9/18/13: HSDA website





**7. Section C, Need, Item 5**

The total patients served in Franklin County by Agency is noted on page 27 of the application and on page 84 in the attachments. However, there appears to be an error in the 2012 reporting of total patients by agency for Caresouth HHA Holdings of Winchester. Caresouth HHA Holdings reported 444 total patients in 2010, 447 in 2011 and 0 in 2012. HSDA will contact the Tennessee Department of Health for clarification of the 2012 reporting data. If needed, information from the Tennessee Department of Health will be passed to the applicant to revise the 2012 Caresouth HHA Holdings patient data.

**Please note that we have reported the JAR information which was publically available at the time of CON filing. If additional information becomes available it will be considered at that time.**

**8. Section C, Need, Item 6**

The NHC Home Care patient total for 2010, 2011 and 2012 is noted. However, please also indicate the number of home health visits for 2010-2012.

**The home health visits for 2010 through 2012 can be found on page 113, Line A of the original submission.**

Your response to this item is noted. Please provide the projected annual utilization for each of the two years following completion of the project for Franklin County only.

**Projected utilization for Franklin County only following completion of this project is:**

<u>Year</u>	
<b>2014</b>	<b>1,125 visits</b>
<b>2015</b>	<b>1,225 visits</b>

Please indicate the utilization data for NHC Homecare-Maury for the past three (3) year and Projected Two years using patient visits.

**Utilization for NHC HomeCare—Columbia for the past three years is as follows:**

<u>Year</u>	
<b>2010</b>	<b>73,899 visits</b>
<b>2011</b>	<b>65,181 visits</b>
<b>2012</b>	<b>67,880 visits</b>

**Projected utilization for NHC HomeCare—Columbia (in visits) is as follows:**

<u>Year</u>	
<b>2014</b>	<b>69,000 visits</b>
<b>2015</b>	<b>71,000 visits</b>

**9. Section C, Economic Feasibility, Item 4**

Please provide a historical data chart for NHC Homecare-Maury.

**Please see the attached most recent JAR information reflecting the financial information for NHC HomeCare-Columbia for calendar years 2011 and 2012. Please note that NHC HomeCare-Pulaski is a branch office of NHC HomeCare-Columbia.**

**Due to the distance to provide services to patients in Franklin County from our Pulaski location, our costs to provide services to patients in Franklin County equal or slightly exceed our revenue. Estimated annual net improvement to NHC HomeCare-Columbia had we not provided services to patients in Franklin County would have been approximately \$3,000 for 2011 and approximately \$5,000 for 2012.**

What is the financial impact on NHC Homecare-Maury by eliminating Franklin County from their service area?

**The financial impact on NHC HomeCare—Columbia will be minimal. Due to the distance to provide services to patients in Franklin county (approx. 62 miles one way) from our Pulaski location, our costs to provide services to patients in this area equal or slightly exceed our revenue. Estimated annual net improvement to NHC HomeCare—Columbia would be approximately \$0 to \$5,000.**

Please provide a Projected Data Chart that only includes the proposed Franklin County only.

**Please see the attached Projected Data Chart which reflect the proposed Franklin County only.**

**NHC HomeCare--Franklin County ONLY**  
(assuming transfer of Franklin County to NHC HomeCare--Murfreesboro)

**PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January (Month).

	2014	2015
A. Utilization Data (Specify unit of measure) Patient Visits	<u>1,125</u>	<u>1,225</u>
(Specify unit of measure) (% Occupancy)	<u>N/A</u>	<u>N/A</u>
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	<u>180,000</u>	<u>223,000</u>
3. Emergency Services		
4. Other Operating Revenue (Specify)		
<b>Gross Operating Revenue</b>	<b>\$ <u>180,000</u></b>	<b>\$ <u>223,000</u></b>
C. Deductions for Operating Revenue		
1. Contractual Adjustments	<u>\$ (32,400)</u>	<u>\$ (41,000)</u>
2. Provision for Charity Care	<u>(200)</u>	<u>(250)</u>
3. Provisions for Bad Debt	<u>(550)</u>	<u>(635)</u>
<b>Total Deductions</b>	<b>\$ <u>(33,150)</u></b>	<b>\$ <u>(41,885)</u></b>
<b>NET OPERATING REVENUE</b>	<b>\$ <u>146,850</u></b>	<b>\$ <u>181,115</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>\$ 61,875</u>	<u>\$ 69,400</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>4,100</u>	<u>4,450</u>
4. Taxes		
5. Depreciation		
6. Rent		
7. Interest, other than Capital		
8. Management Fees		
a. Fees to Affiliates	<u>16,200</u>	<u>17,700</u>
b. Fees to Non-Affiliates		
9. Other Expenses	<u>54,000</u>	<u>67,000</u>
<b>Total Operating Expenses</b>	<b>\$ <u>136,175</u></b>	<b>\$ <u>158,550</u></b>
E. Other Revenue (Expenses)--Net (Specify)		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ <u>10,675</u></b>	<b>\$ <u>22,565</u></b>
F. Capital Expenditure		
1. Retirement of Principal		
2. Interest		
<b>Total Capital Expenditures</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ <u>10,675</u></b>	<b>\$ <u>22,565</u></b>

**10. Section C, Economic Feasibility, Item 5**

Please re-verify calculations for average gross charge, average deduction and average net charge for Year One and Year Two. It appears the Year One Average Gross Charge is \$170.00 and Average Net Charge is \$138.14, and the Average Gross Charge is \$175.00 and Average Net Charge is \$138.94 in Year Two.

**Please see the attached revised response with the correct figures.**

**11. Section C, Economic Feasibility, Item 8**

The estimated Medicare Net Revenue in Year One is noted. However, please also calculate for TennCare/Medicaid revenue and its percentage of total project revenue.

**Please note there is no TennCare/Medicaid revenue proposed and/or impact to the State budget as part of the CON request.**

**12. Section C, Contribution to Orderly Development, Item 3.**

What will be the anticipated staffing for Franklin County only?

**Staffing for the provision of services to patients in Franklin County will be provided by NHC HomeCare—McMinnville (a branch of NHC HomeCare—Murfreesboro). Macon County will be:**

- .42 Skilled Nurses**
- .09 Home Health Aides**
- .28 Physical Therapists**
- .04 Occupational Therapists**
- .01 Speech Therapists**
- .01 Social Workers**

**However, the same staff that provides services in Franklin County will also provide services in other counties covered by the branch office in McMinnville.**

If approved, will current patients residing in Franklin County be assigned a different home health nurse employed by NHC Homecare-Murfreesboro?

**As of 10-18-13, the Pulaski office of NHC HomeCare—Columbia has no patients in Franklin County. Any patients in Franklin County that are current at the time of any approval of this application would be assigned a home health nurse employed by the McMinnville branch of NHC HomeCare—Murfreesboro.**



**13. Proof of Publication**

The copy of the newspaper notice of intent is noted. However, please submit a copy that is legible.

**Please see the attached newspaper notice.**

OCTOBER 22

10:10am

**AFFIDAVIT OF PUBLICATION**

STATE OF TENNESSEE  
COUNTY OF COFFEE

Sherri Politsch

Printed Name

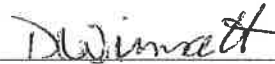
Personally appeared before the undersigned authority and made oath that she is the Advertising Manager of  
The Herald Chronicle and that the attached item was published in said newspaper on the following date(s):  
10/08/2013

Signed



Name of Account: National Healthcare Corporation  
Order Number: 13101625

Sworn to, and subscribed before me at Tullahoma, Tennessee, this 17th day of October, 2013.



Notary Public

Commission expires

4-5-14

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**130 PUBLIC NOTICES**

All residential real estate advertised herein is subject to the Federal Fair Housing Act and applicable state and local laws. The Fair Housing Act makes it illegal to advertise "any preference, limitation, discrimination because of race, color, religion, sex, handicap, familial status, or national origin, or intention to make any such preference, limitation or discrimination."

We will not knowingly accept any advertising for residential real estate that appears to or violates federal and/or state and local law.

FORE, notice is hereby given that the entire indebtedness has been declared due and payable; and that an agent of Wilson & Associates, P.L.L.C., as Successor Trustee, by virtue of the power, duty, and authority vested in and imposed upon said Successor Trustee will, on November 1, 2013 on or about 11:00 A.M., at the Franklin County Courthouse, Winchester, Tennessee, offer for sale certain property in the day of the sale, to be sold as a whole or in part, and to any matter that an accurate survey of the premises might disclose. In addition, the following parties may claim an interest in the above-referenced property: **Cindy Cheek; Cindy Cheek**

Countrywide Bank, FSB, its successors and assigns; and the undersigned, Wilson & Associates, P.L.L.C., having been appointed Successor Trustee.

NOW, THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable; and that an agent of Wilson & Associates, P.L.L.C., as Successor Trustee, by virtue of the power, duty, and authority vested in and imposed upon said Successor Trustee will, on November 1, 2013 on or about 11:00 A.M., at the Franklin County Courthouse, Winchester, Tennessee, offer for sale certain property in the day of the sale, to be sold as a whole or in part, and to any matter that an accurate survey of the premises might disclose. In addition, the following parties may claim an interest in the above-referenced property: **Cindy Cheek; Cindy Cheek**

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This sale is subject to all matters shown on any applicable recorded plat; any unpaid taxes; any restrictive covenants, easements, or setback lines that may be applicable; any statutory rights of redemption of any governmental agency, state or federal; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. In addition, the following parties may claim an interest in the above-referenced property: **Cindy Cheek; Cindy Cheek**

WWW.MYFIR.COM  
 and  
 WWW.REALTYTRAC.COM

## SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on **November 12, 2013 at 10:00AM local time**, at the north door, Franklin County Courthouse, Winchester, Tennessee, see 37398 conducted by Shapiro & Kirsch, LLP 0651-L-034.00

Tennessee. THIS CONVEYANCE IS MADE SUBJECT TO restrictive covenants, easements and setback line that are applicable to the above described property, and of record, and to all zoning and subdivision restrictions of the appropriate governmental body. Street Address: 106 Brookfield Circle, Winchester, Tennessee, see 37398 Parcel Number: 0651-L-034.00

deemed the successful bidder. This property is being sold with the express reservation that the sale is subject to confirmation by the lender or trustee. This sale may be rescinded at any time.

Shapiro & Kirsch, LLP Substitute Trustee  
 www.kirschattorneys.com  
 Law Office of Shapiro & Kirsch, LLP  
 555 Perkins Road

## NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

**NHC HomeCare, Murfreesboro** (Facility Type-Existing)  
 owned by: **NHC/OP, L.P.** with an ownership type of **Limited Partnership** and to be managed by: **NHC/OP, L.P.** intends to file an application for a Certificate of Need

for the addition of Franklin County to NHC HomeCare's existing Home Care License #208 which currently includes the following counties of Bedford, Cannon, Clay, Coffee, Cumberland, Davidson, DeKalb, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson and Wilson. The parent office for this HomeCare Agency is located at 1923 Memorial Blvd, Suite A, Murfreesboro, Tennessee. The estimated project costs is \$3,000. If approved, Franklin County will be removed from the NHC HomeCare license #181 located at 915 S. James Campbell Blvd, in Columbia, Maury County, Tennessee.

The anticipated date of filing the application is: **October 13, 2013**

The contact person for this project is **Bruce K. Duncan** (Contact Name) **Assistant Vice President** (Title)

who may be reached at: **National HealthCare Corporation** (Company Name) **100 Vine Street, 12th Floor** (Address)

**Murfreesboro** (City) **Tennessee** (State) **37130** (Zip Code) **615 / 890-2020** (Area Code / Phone Number)

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
 The Frost Building, Third Floor  
 161 Rosa L. Parks Boulevard  
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

## ADVERTISEMENT FOR BIDS

Sealed bids for **Office Renovations** will be received by Franklin County Consolidated Housing Authority, 136 Ross Lane, Winchester, Tennessee 37398 on **Wednesday, October 30, 2013, at 10:00 a.m.**, and then at said office of the Executive Director publicly opened and read aloud. Prior to the opening of the envelope, the names of all contractors listed shall be read aloud and incorporated into the bid.

The plans, specifications, and other contract documents may be examined at the following locations:

Barge Cauthen & Associates, Inc.  
 6606 Charlotte Pike, Suite 210  
 Nashville, Tennessee 37209

Nashville Minority Business Center  
 McGraw-Hill Construction  
 Builders Exchange of Tennessee

Prospective bidders may obtain copies of the Contract Documents at the office of Barge Cauthen & Associates, Inc., 6606 Charlotte Pike, Suite 210, Nashville, Tennessee 37209. A deposit of \$200.00 is required for one set of Contract Documents. All bid deposit checks or drafts shall be made payable to **Barge Cauthen & Associates, Inc.** Requirements for bid deposit refunds can be found in the expanded Advertisement for Bids bound within the Project Manual

All bidders must be licensed Contractors as required by the Contractors Licensing Act of 1994 (TCA 62-6-119) with all bid submittals conforming to the State of Tennessee requirements. All bidders shall provide evidence of a license in the appropriate classification before a bid can be considered. Reference is made to the Instructions to Bidders for Contracts contained in the Project Manual for further bidding information.

The right is reserved to reject any or all bids or to waive any informalities in the bidding. No bidder may withdraw his bid within 60 days after the actual date of the opening thereof.

### Walk Through and Prebid Conference

**10:00 a.m. on Wednesday, October 9, 2013**, a prebid conference will be held at the administrative office of Franklin County Consolidated Housing Authority, 136 Ross Lane, Winchester, Tennessee, for the purpose of answering questions bidders may have and to consider any suggestions they may wish to make concerning the project. Immediately following the prebid conference, a walk-through of the project(s) will be held with the Owner. All contractors are recommended to attend this walk-through and prebid conference.

**FRANKLIN COUNTY CONSOLIDATED HOUSING AUTHORITY**

By: Mrs. Lydia C. McBee, Executive Director  
 Date: October 1, 2013


OCT 22 '13 AM 10:02

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF RutherfordNAME OF FACILITY: NHC OP/, L.P. d/b/a NHC HomeCare Murfreesboro

I, Bruce K. Duncan, being first duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
 Signature/Title Assistant Vice President

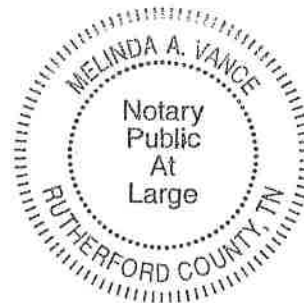
Sworn to and subscribed before me, a Notary Public, this the 18th day of October, 2013, witness my hand at office in the County of Rutherford, State of Tennessee.

  
 NOTARY PUBLIC

My commission expires 2/17, 2014

HF-0043

Revised 7/02





OCT 18 '13 AM 9:29

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Winchester Herald-Chronicle which is a newspaper

(Name of Newspaper)

of general circulation in Franklin, Tennessee, on or before October 10, 20 13,  
(County) (Month / day) (Year)

for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

NHC Homecare, Murfreesboro Home Care  
(Name of Applicant) (Facility Type-Existing)

owned by: NHC/OP, L.P. with an ownership type of Limited Partnership and to be managed by: NHC/OP, L.P. intends to file an application for a Certificate of Need for: the addition of Franklin County to NHC HomeCare's existing Home Care License #208 which currently includes the following counties of Bedford, Cannon, Clay, Coffee, Cumberland, Davidson, DeKalb, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson and Wilson. The parent office for this HomeCare Agency is located at 1923 Memorial Blvd, Suite A, Murfreesboro, Rutherford County, Tennessee. The estimated project costs is \$3,000. If approved, Franklin County will be removed from the NHC HomeCare license #181 located at 915 S. James Campbell Blvd, in Columbia, Maury County, Tennessee.

The anticipated date of filing the application is: October 13, 20 13

The contact person for this project is Bruce K. Duncan Assistant Vice President  
(Contact Name) (Title)

who may be reached at: National HealthCare Corporation 100 Vine, Street, 12<sup>th</sup> Floor  
(Company Name) (Address)

Murfreesboro Tennessee 37130 615 / 890-2020  
(City) (State) (Zip Code) (Area Code / Phone Number)

 10/4/13 Bduncan@nhccare.com  
(Signature) (Date) (E-mail Address)

**The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:**

**Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOV 6 '13 AM 9:56

November 5, 2013

VIA: Regular Mail

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services & Development Agency  
Andrew Jackson, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1310-036  
NHC/LP d/b/a NHC Homecare/Murfreesboro (Franklin County)

Dear Ms. Hill:

Please accept this letter as NHC's intent to delicense the referenced county should the Certificate of Need be granted by the agency.

NHC has filed a CON for the addition of Franklin County to NHC HomeCare's existing Home Care License #208 which currently includes the following counties of Bedford, Cannon, Coffee, Clay, Cumberland, Dekalb, Davidson, Fentress, Grundy, Jackson, Overton, Pickett, Putnam, Macon, Marshall, Morgan, Rutherford, Smith, Trousdale, Warren, White, Williamson, Wilson, and VanBuren. The parent office for this HomeCare Agency is located at 1923 Memorial Blvd., Suite A, Murfreesboro, Rutherford County, Tennessee. The estimated project cost is \$3,000. **If approved, Franklin County will be removed from the NHC HomeCare license #181 located at 915 S. James Campbell Blvd in Columbia, Maury County, Tennessee simultaneously with the addition of Franklin County to license #208 in Murfreesboro.**

If you require any additional information or need clarification on any of the supplied material, please do not hesitate to contact me at 615-890-2020.

Sincerely,

**NATIONAL HEALTHCARE CORPORATION**



Catherine E. Reed  
Vice President, HomeCare





NATIONAL HEALTHCARE CORPORATION

November 5, 2013

VIA: Regular Mail

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services & Development Agency  
Andrew Jackson, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1310-037  
NHC/OP, L.P., d/b/a NHC Homecare/Macon (Macon County)

Dear Ms. Hill:

Please accept this letter as NHC's intent to delicense the referenced county should the Certificate of Need be granted by the agency.

NHC has filed a CON for the addition of Macon County to NHC HomeCare's existing Home Care License #205 which currently includes the following counties of Cheatham, Davidson, Montgomery, Robertson, Sumner and Wilson. The parent office for this HomeCare Agency is located at 2100 Park Plaza Drive, Springfield, Robertson County, Tennessee. The estimated project cost is \$3,000. **If approved, Macon County will be removed from the NHC HomeCare license #208 located at 1923 Memorial Blvd, Suite A in Murfreesboro, Rutherford County, Tennessee simultaneously with the addition of Macon County to license #205 in Springfield.**

If you require any additional information or need clarification on any of the supplied material, please do not hesitate to contact me at 615-890-2020.

Sincerely,

NATIONAL HEALTHCARE CORPORATION

Catherine E. Reed  
Vice President, HomeCare

NOV 6 '13 AM 9:56

November 5, 2013

VIA: Regular Mail

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If you require any additional information or need clarification on any of the supplied material, please do not hesitate to contact me at 615-890-2020.

Sincerely,

**NATIONAL HEALTHCARE CORPORATION**



Catherine E. Reed  
Vice President, HomeCare





NATIONAL HEALTHCARE CORPORATION

November 5, 2013

VIA: Regular Mail

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services & Development Agency  
Andrew Jackson, 9<sup>th</sup> Floor  
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If you require any additional information or need clarification on any of the supplied material, please do not hesitate to contact me at 615-890-2020.

Sincerely,

NATIONAL HEALTHCARE CORPORATION

Catherine E. Reed  
Vice President, HomeCare



## **State of Tennessee**

### **Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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**Date:** December 4, 2013

**To:** HSDA Members

**From:** Melanie M. Hill, Executive Director

**Re:** CONSENT CALENDAR JUSTIFICATION

CN1310-036 – NHC Homecare, Murfreesboro

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility, and contribution to the orderly development of health care appear to have been demonstrated as detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on November 1, 2013, it had no opposition. If opposition is filed prior to the application being heard, it will be moved to the bottom of the regular December agenda and the applicant will make a full presentation.

#### **Summary—**

NHC/OP, L.P. operates eighteen licensed home care organizations providing home health services in Tennessee. With this application, it proposes to remove Franklin County from its NHC Homecare, Columbia license and add it to its NHC Homecare, Murfreesboro license. The approval of this application will not result in an increase in the number of home health agencies in the service area. Patients residing in Franklin County are currently served from the NHC Homecare, Columbia branch office in Pulaski. If this application were approved, Franklin County patients would be served from the NHC Homecare, Murfreesboro branch office located in McMinnville. The applicant estimates it would save 40 miles and 14 minutes per visit, which would permit it to operate more efficiently and economically.

---

**Executive Director Justification -**

**Need-** Need is demonstrated based upon the applicant's ability to continue to serve the population it presently serves more economically and efficiently.

**Economic Feasibility-**The project is financially feasible based on its low cost. The approval of the project will permit the agency to operate more economically and efficiently.

**Contribution to the Orderly Development of Health Care-**The project does contribute to the orderly development of health care since it appears it will reduce administrative costs by reducing travel time.

*The following condition is recommended should the agency approve the application: **CONDITION:** This approval is conditioned upon the simultaneous delicensure of Franklin County from NHC Homecare, Columbia.*

**Based on these reasons, I recommend that the Agency approve certificate of need application CN1310-036.**

### **Statutory Citation -TCA 68-11-1608. Review of applications -- Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

### **Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR**

- (1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.
- (3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
- (4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.
  - (a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.
- (5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
DECEMBER 18, 2013  
APPLICATION SUMMARY**

NAME OF PROJECT: NHC Homecare, Murfreesboro

PROJECT NUMBER: CN1310-036

ADDRESS: 1923 Memorial Blvd., Suite A  
Murfreesboro (Rutherford County), Tennessee 37129

LEGAL OWNER: NHC/OP, L.P.  
100 Vine St.  
Murfreesboro (Rutherford Co.), Tennessee 37130

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Bruce K. Duncan  
Assistant Vice President  
National Healthcare Corporation  
100 Vine St.  
Murfreesboro (Rutherford Co.), Tennessee 37130  
(615) 890-2020

DATE FILED: October 11, 2013

PROJECT COST: \$3,000.00

FINANCING: Cash Reserves

PURPOSE FOR FILING: Addition of Franklin County to the licensed service area of NHC HomeCare's existing home care license which currently licensed serves twenty-four (24) counties

## DESCRIPTION:

*The applicant is seeking consent calendar approval for the addition of Franklin County to the licensed service area of its existing home healthcare license #208. Franklin County is immediately adjacent to and south of the applicant's currently licensed service area which includes twenty-four (24) Middle Tennessee counties: Bedford, Cannon, Coffee, Clay, Cumberland, DeKalb, Davidson, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson, and Wilson. Once Franklin County is added to the licensed service area of the Murfreesboro agency, it will be removed from NHC Home Care, Columbia's licensed service area.*

## SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

### **HOME HEALTH SERVICES**

1. The need for home health agencies/services shall be determined on a county by county basis.
2. In a given county, 1.5 percent of the total population will be considered as the need estimate for home health services in that county.  
  
The 1.5 percent formula will be applied as a general guideline, as a means of comparison within the proposed service area.
3. Using recognized population sources, projections for four years into the future will be used.
4. The use rate of existing home health agencies in the county will be determined by examining the latest utilization rate as calculated in the Joint Annual Report of existing home health agencies in the service area.

Based on the number of patients served by home health agencies in the service area, estimation will be made as to how many patients could be served in the future.

*Following Steps 1-4 above the Department of Health report that is based on 2012 data, indicates that 628 service area residents will need home health care in 2017; however 1,526 patients are projected to be served in 2017 resulting in a net excess of 898. There will not be a net increase in home health agencies serving Franklin County, since NHC Homecare, Columbia will drop Franklin County from its license if the proposed project is approved.*

**NHC HOMECARE, MURFREESBORO**

**CN1310-036**

**DECEMBER 18, 2013**

**PAGE 2**

5. Documentation from referral sources:

- a. The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.
- b. The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.
- c. The applicant shall provide letters from potential patients or providers in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.
- d. The applicant shall provide information concerning whether a proposed agency would provide services different from those services offered by existing agencies.

*The applicant did not address Standard 5.a.-d. and stated it is not applicable since there is no net increase in the service area, since NHC Homecare, Columbia will drop Franklin County from its license if the proposed project is approved.*

6. The proposed charges shall be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas.

- a. The average cost per visit by service category shall be listed.
- b. The average cost per patient based upon the projected number of visits per patient shall be listed.

*The applicant provides the following information on page 119 of the application. The cost per visit compared to sixteen (16) existing home health agencies currently serving Franklin County appears to be consistent with those agencies' costs.*

<i>Service</i>	<i>Applicant's Proposed Cost per Visit</i>
<i>Skilled Nursing</i>	\$109.00
<i>Physical Therapy</i>	\$137.00
<i>Occupational Therapy</i>	\$153.00
<i>Speech Therapy</i>	\$254.00
<i>HH Aide</i>	\$42.00

*The applicant projects to serve 45 patients in Year One. The applicant's projected average net charge per patient will be \$3,263.00.*

*It appears that this application will meet this criterion.*



## **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

By adding Franklin County to the license of NHC Homecare, Murfreesboro, and removing it in from the NHC Homecare, Columbia license, NHC will be able to reduce operating cost. The result would be "no net additional" licensed home health agencies serving Franklin County. The transfer of Franklin County from the license of NHC Homecare, Columbia will permit NHC/OP, LP to "more cost efficiently and effectively serve the Franklin County patients due to their geographic distance from its Murfreesboro, TN (Rutherford County) agency. NHC Homecare, Murfreesboro estimates by moving Franklin County to the Murfreesboro license would save approximately 20 miles each way plus an additional 7 minutes of productive time. On a roundtrip basis the savings equate to 40 miles and 14 minutes per visit.

NHC Homecare, Springfield has submitted an application, CN1310-037, to also be heard under the Consent Calendar during the December 18, 2013 Agency meeting. The application is for the addition of Macon County to NHC Homecare, Robertson and the removal of Macon County from NHC Homecare, Rutherford.

An overview of the project is provided in Attachment B-1 of the original application.

The applicant projects the initiation of service on February 1, 2014.

### **Ownership**

NHC/OP, L.P. owns 100% of NHC Homecare, Murfreesboro. NHC/OP, L.P. is owned 99% by National HealthCare Corporation and 1% by the limited partnership's general partner, NHC/Delaware, Inc. National HealthCare Corporation owns 100% of NHC/Delaware, Inc. NHC/OP, L.P. also owns 100% in numerous nursing facilities, assisted living, homes for the aged and home health care organizations in seven southeastern states. Eighteen (18) of NHC/OP, L.P.'s thirty-two (32) licensed Homecare agencies are located within Tennessee.

### **Service Area Demographics**

- The total population of Franklin County is estimated at 41,099 residents in calendar year (CY) 2013 increasing by approximately 1.8% to 41,842 residents in CY 2017.

- The overall statewide population is projected to grow by 3.7% from 2013 to 2017.
- The 65 and older population will decrease from 18.1% of the general population in 2013 to 17.9% in 2017. The statewide 65 and older population will increase from 14.5% in 2013 of the general population to 15.8% in 2017.
- The latest 2013 percentage of the Franklin County population enrolled in the TennCare program is approximately 15.4%, as compared to the statewide enrollment proportion of 18.4%.

*Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.*

#### **Service Area Historical Utilization**

The trend of home health patients served in the proposed expanded service area of Franklin County is presented in the table below:

	<b>Number of Licensed Agencies (2012)</b>	<b>Number of Home Health Agencies that Served (2012)</b>	<b>2010 Home Health Patients</b>	<b>2011 Home Health Patients</b>	<b>2012 Home Health Patients</b>	<b>2010-2012 Percent Changed</b>
Franklin Co.	18**	13	1,498	1,506	1,526	1.87%

*Source: 2010-2012 Home Health Joint Annual Report and DOH Licensure Applicable Listings*

*\*\*Coram Specialty Infusion Services did not start service until January 2013*

The chart above demonstrates there has been a 1.87% increase in home health patients served in Franklin County between 2010 and 2012.

The following chart identifies each agency's market share (agency patients from service area/total service area patients) and patient origin (agency service area patients/agency total patients).

### 2012 Home Health Agency Service Market Share and Patient Origin

Licensed Agency	Agency Patients From Franklin County	% Market Share	Total Patients Served	Service Area Dependence
Heritage Home Health	0	0.00%	280	0.00%
Home Health Care of East	171	11.21%	4,755	3.60%
Gentiva Health Services	64	4.19%	629	10.17%
Suncrest Home Health	149	9.76%	1,114	13.38%
Angel Private Duty and Home Health, Inc.	1	0.07%	73	1.37%
Coram Specialty Infusion	0	0.00%	0	0.00%
Elk Valley Health Services	3	0.20%	245	1.22%
Home Care Solutions, Inc.	16	1.05%	2,080	0.77%
Willowbrook Home Health	3	0.20%	2,149	0.14%
Amedisys Home Care	553	36.24%	1,074	51.49%
Caresouth HHA Holdings of Winchester, LLC	421	27.59%	1,371	30.71%
Continucare Healthservices, Inc. II	0	0.00%	17	0.00%
Gentiva Health Services	0	0.00%	268	0.00%
Deaconess Homecare	106	6.95%	704	15.06%
Lincoln Medical Home	2	0.13%	396	0.51%
NHC Homecare, Columbia	20	1.31%	2,134	0.94%
Amedisys Home Health Care	0	0.00%	1,431	0.00%
Friendship Home Health, Inc.	17	1.11%	1,345	1.26%
Vanderbilt HC Affiliated	0	0.00%	86	0.00%
Service Area Total	1,526			

Source: 2012 Joint Annual Report

The chart above reveals the following market share information and patient origin information:

- Even though there are twenty (20) home health agencies that are licensed in Franklin County, only three (3) agencies had market share in excess of 10%: Amedisys Home Care (36.24%), Caresouth HHA Holdings of Winchester, LLC (27.59%), and Home Health Care of East Tennessee, Inc. (11.21%). These three agencies accounted for over 75% of the market share. Only two other agencies had market share of 5% or greater: Deaconess Homecare (6.95%) and Suncrest Home Health (9.76%).
- Of the twenty (20) licensed home health agencies there were five (5) agencies whose dependence on patients from Franklin County was greater than 10%: Amedisys Home Care (51.49%), CareSouth HHA Holdings of Winchester, LLC

**NHC HOMECARE, MURFREESBORO**

**CN1310-036**

**DECEMBER 18, 2013**

**PAGE 7**

(30.71%), Deaconess Homecare (15.06%), Suncrest Home Health (13.38%) and Gentiva Health Services (10.17%).

### **Project Cost**

Major cost(s) are:

- CON Filing Fee- \$3,000 or 100% of total cost

### **Project Utilization**

A total of 102,500 patient visits is projected in Year One (2014) and 104,560 visits in Year Two (2015) for NHC HomeCare, Murfreesboro. In the supplemental response, projected utilization for Franklin County only following completion of the proposed project is 1,125 visits in Year 2014 and 1,225 visits in Year 2015.

### **Historical Data Chart**

- According to the Historical Data Chart NHC Homecare-Murfreesboro experienced profitable net operating results for the three most recent years reported: \$2,591,458 for 2010; \$2,126,254 for 2011; and \$2,114,578 for 2012.
- Average annual Net Operating Income (NOI) was favorable at approximately 15.5% of annual net operating revenue for the year 2012.

### **Projected Data Chart**

The Projected Data Chart for NHC HomeCare-Murfreesboro reflects \$17,425,000.00 in total gross revenue on 102,500 patient visits during the first year of operation and \$18,300,000 on 104,560 patient visits in Year Two (approximately \$175.00 per visit). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$2,233,800 in Year One increasing to \$2,260,800 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$14,528,000 or approximately 79% of total gross revenue in Year Two.
- Charity care at approximately .10% of total gross revenue in Year One and Year Two equaling to \$15,000 and \$20,000, respectively.
- Charity Care calculates to 109 patient visits per year in Year One increasing to 144 patient visits per year in Year Two.

In the supplemental response, the Projected Data Chart for Franklin County reflects \$180,000 in total gross revenue on 1,125 patient visits during the first year of operation and \$223,000 on 1,225 patient visits in Year Two. Net operating income less capital expenditures will equal \$10,675 in Year One and \$22,565 in Year Two.

## **Charges**

In Year One of the proposed project, the average charge per case is as follows:

- The proposed average gross charge is \$170.00/patient visit
- The average deduction is \$32/patient visit, producing an average net charge of \$138/patient visit.

## **Medicare/TennCare Payor Mix**

- TennCare- The applicant expects no Medicaid or TennCare revenue
- Medicare- Charges will equal \$10,455,000 in Year One representing 60% of total gross revenue

The applicant currently participates in Medicare, but does not have a current contract with any TennCare MCO. If needed, each case is negotiated on a case by case basis, which the applicant also does with all managed care and network cases.

## **Financing**

An October 8, 2013 letter from Donald K. Daniel, NHC Senior Vice President and Controller confirms the availability of cash reserves and cash equivalents in the amount of \$74,000,000 to fund the \$3,000 proposed project.

NHC's unaudited financial statements for the period ending June 30, 2013 indicates \$74,634,000 in cash and cash equivalents, total current assets of \$429,425,000, total current liabilities of \$231,249,000 and a current ratio of 1.86:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

## **Staffing**

The proposed NHC HomeCare, Murfreesboro direct care staffing in Year One including the following:

- 42.00 FTE Nursing and
- 9.00 FTE Home Health Aides and
- 27.50 FTE Physical Therapist and
- 4.25 Occupational Therapist and
- 1.00 Speech Therapist and
- .75 Social Work

The applicant's Franklin County direct patient care staffing in Year One includes the following:

- .42 FTE Skilled Nurses and
- .09 FTE Home Health Aides and
- .28 FTE Physical Therapist and
- .04 Occupational Therapists and
- .01 Speech Therapist and
- .01 Social Workers

#### **Licensure/Accreditation**

NHC Homecare, Murfreesboro is licensed by the Tennessee Department of Health, Division of Health Care Facilities. A letter dated January 20, 2012 from the Tennessee Department of Health, Office of Health Licensure and Regulation, states NHC Homecare, Murfreesboro was in compliance in all areas as a result of recertification survey completed on December 13-15, 2011.

*Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **two** years.

#### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

*National Healthcare Corporation, LLC has a financial interest in this project and the following:*

#### **Pending Application:**

**NHC Homecare, Springfield, CN1310-037**, has a pending application scheduled to be heard under the Consent Calendar during the December 18, 2013 Agency meeting. The application is for the addition of Macon County to NHC HomeCare's existing Home Care License #205 which currently includes the counties of Cheatham, Davidson, Montgomery, Robertson, Sumner and Wilson. The parent office for this Homecare Agency is located at 2100 Park Plaza Drive, Springfield (Robertson County), Tennessee. If approved, Macon County will be removed from the NHC HomeCare license #208 located at 1923 Memorial Boulevard, Suite A, Murfreesboro (Rutherford County), Tennessee. The estimated project cost is **\$3,000**.

Outstanding Certificates of Need:

**NHC/Maury Regional Transitional Care Center, CN1307-025**, has an outstanding certificate of need that will expire on December 1, 2015. The CON was approved at the October 23, 2013 Agency meeting for the relocation and replacement of two (2) separately licensed nursing home facilities; NHC Healthcare Hillview and Maury Regional Hospital Skilled Nursing Unit, into one new center with a total of 112 beds. The estimated project cost is **\$18,161,272**. *Project Status: The project was recently approved.*

**The Health Center of Hermitage, CN1306-022**, has an outstanding certificate of need that will expire on December 1, 2015. The CON was approved at the October 23, 2013 Agency meeting for the establishment of a 90-bed nursing home by relocating 60 of the 150 nursing home beds, per TCA §68-11-1631, from the approved but unimplemented certificate of need for the Health Center of Nashville, CN1107-024A, and the addition of 30 new Medicare-certified skilled nursing home beds. The 30 requested new Medicare-certified beds are subject to the 2012-2013 Nursing Home bed pool. The estimated project cost is **\$20,142,000**. *Project Status: The project was recently approved.*

**NHC at Indian Path, LLC, CN1212-059A**, has an outstanding certificate of need that will expire on May 1, 2016. The CON was approved at the May 22, 2013 Agency meeting for the replacement and relocation of the twenty-two (22) bed Indian Path Medical Center Transitional Care Unit and the addition of thirty (30) new Medicare certified skilled nursing home beds. The facility will relocate from Indian Path Medical Center at 2000 Brookside Drive to 2300 Pavilion Drive, Kingsport (Sullivan County), TN. The new facility will be licensed as NHC at Indian Path and will contain fifty-two (52) Medicare-only (skilled) nursing home beds. The estimated project cost was **\$10,385,615.00**. *Project Status: The project was recently approved.*

**The Health Center of Nashville, LLC, CN1107-024AM**, has an outstanding certificate of need that will expire on May 1, 2016. The CON was approved at the September 28, 2011 Agency meeting for the change of site and relocation of CN1002-007A for the construction of a 150 bed nursing home from 2816 Old Hickory Boulevard, Nashville (Davidson County), TN to an unaddressed site at the intersection of HWY 100 and Pasquo Road, Nashville (Davidson County), TN. The estimated project cost was **\$23,894,100.00**. *Project Status: The Agency approved the following modifications at its October 23, 2013 meeting:*

- *An eighteen (18) month extension of the expiration date from November 1, 2014 to May 1, 2016.*

- Reduction of 60 beds from the 150 approved beds to 90 beds
- Decrease in project cost by \$2,381,950 from \$23,894,100 to \$21,512,150;
- Other changes related to the footprint of the facility including (a) reduction in overall square footage by 8,592 SF from 86,000 SF to 77,408 SF; (b) increase in therapy gym space by 2,500 SF from 2,300 SF to 4,800 SF; (c) the addition of 3,400 SF of shelved space for potential future growth.

**NHC Healthcare–Sumner, LLC, CN1108-029**, has an outstanding certificate of need that will expire on December 1, 2014. The CON was approved at the October 26, 2011 Agency meeting for the relocation of two previously approved Certificate of Need projects for 1) a sixty-two (62) bed Medicare certified nursing home project issued as CN0702-014AE and 2) the addition of thirty (30) new Medicare certified nursing home beds granted as CN0808-057AE for a project total of ninety-two (92) bed nursing home located on Nashville Pike (Hwy 31E) near Kennesaw Blvd.(on Parcels 22.01 and 24.04 on Sumner County Property tax Map 1.36, Gallatin, TN 37066). The ninety-two (92) beds will be certified as Medicare-only nursing home beds. The estimated project cost was **\$17,902,991.00**. *Project Status: A status report dated August 28, 2013 indicates NHC began site preparation work in September 2013.*

**NHC Healthcare Tullahoma, CN1007-030A**, has an outstanding certificate of need that will expire on December 1, 2013. The CON was approved at the October 27, 2010 Agency meeting for the relocation of CN0807-050A comprised of sixty (60) nursing home beds, and the addition of thirty (30) new Medicare certified nursing home beds for a total of ninety (90) nursing home beds from 30 Powers Ridge Road, Manchester (Coffee County), TN to a yet to be addressed site at Cedar Lane and Seventh Street, Tullahoma (Coffee County), TN. The additional thirty (30) nursing home beds are subject to the 125 bed Nursing Home Bed Pool for the July 2010 to June 2011 state fiscal year period. The estimated project cost was **\$14,449,438**. *Project Status: The project is complete and was licensed November 5, 2013. The Final Project Cost Report is pending.*

#### **CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no Letters of Intent, denied applications or pending applications for other health care organizations in the service area proposing this type of service.

#### **Outstanding Certificates of Need:**

**Coram Alternative Site Services, Inc. d/b/a Coram Specialty Infusion Services, CN1205-020**, has an outstanding certificate of need that will expire on November



14, 2014. The CON was approved at the September 26, 2012 agency meeting for the establishment of a home care organization and the initiation of home health services limited to provision and administration only of home infusion products and related nursing services ancillary to its pharmacy in a 38-county area in Middle Tennessee. The estimated project cost is **\$63,000**. *Project Status: Final project report is pending. Notification was received that license #624 was issued on January 30, 2013 from the Tennessee Department of Health.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME 11/6/2013

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
615-741-1954**

**DATE:** December 31, 2013

**APPLICANT:** NHC HomeCare, Murfreesboro  
1293 Memorial Boulevard, Suite A  
Murfreesboro, Tennessee 37129

CN1310-036

**CONTACT PERSON:** Bruce K. Duncan, Assistant Vice President  
National Healthcare Corporation  
100 Vine Street, 12<sup>th</sup> Floor  
Murfreesboro, Tennessee 37130

**COST:** \$3,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, NHC Homecare, Murfreesboro, located at 1923 Memorial Blvd., Murfreesboro, Tennessee, seeks Certificate of Need (CON) approval for the addition of Franklin County to their existing Home Care License #208 which currently includes Bedford, Cannon, Clay, Coffee, Cumberland, Davidson, DeKalb, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson, and Wilson counties. Currently, Franklin County homecare patients who use NHC Homecare for services receive those services through NHC HomeCare, Columbia. Upon approval of the CON, Franklin County will be removed from the NHC HomeCare license #181 located at 915 S. James Campbell Blvd., in Columbia, Maury County Tennessee.

NHC/OP, LP. NHC/OP, L.P. owns 100% of NHC HomeCare, Murfreesboro. The applicant provides information regarding ownership in Attachment Section A. Applicant Profile - 4 Type of Ownership or Control.

The total estimated project cost is \$3,000 and will be funded by cash reserves as documented by the Chief Financial Officer in Attachment C. Economic Feasibility-2.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**NEED:**

The applicant is adding Franklin County to its existing service area of Bedford, Cannon, Clay, Coffee, Cumberland, Davidson, DeKalb, Fentress, Grundy, Jackson, Macon, Marshall, Morgan, Overton, Pickett, Putnam, Rutherford, Smith, Trousdale, Van Buren, Warren, White, Williamson, and Wilson counties.

The total 2013 population projection for Franklin County is 41,099, increasing to 41,842 in 2017, an increase of 1.8%.

The applicant's proposed project is for the addition of Franklin County to the existing service area of NHC HomeCare, Murfreesboro. NHC currently provides home health services to Franklin County through its NHC HomeCare, Columbia office. By adding Franklin County to the license of NHC Murfreesboro and removing it from Columbia, NHC hopes to reduce its operating costs. Under the current prospective pay reimbursement system, cost saving are important to the viability of healthcare providers and the public as well. This proposal will not increase reimbursement or capacity and will allow for a more cost efficient and effective delivery system.

The previous three years utilization of Franklin County residents by NHC HomeCare, Columbia is as follows: 2010-2 patients; 2011-14 patients; and 2012-20 patients. The applicant projects 45 patients for 2014, and 49 patients for 2015. The total number of patients served by NHC HomeCare, Columbia and the other 18 providers of home health services in Franklin County totaled 1,497, 1,506, and 1,526 each year respectively. NHC HomeCare, Murfreesboro provided services for 2,882, 3,070, and 3,268 patients in 2010, 2011, and 2012, respectively. *(2010, 2011, and 2012 Joint Annual Reports of Home Health Agencies).*

*Note to Agency Members: The 2012 Joint Annual Report of Home Health Agencies contained a reporting error from Caresouth HHA Holding. Caresouth reported no residents of Franklin County served by their agency when in fact 421 patients were served.*

There is no significant impact on the service areas or other providers.

#### **TENNCARE/MEDICARE ACCESS:**

The applicant participates in the Medicare and TennCare Programs. NHC/OP, LP does not contract with any TennCare providers but negotiates payment on a case by case basis.

NHC/OP, LP projects that 60% of patient revenue from adding Franklin County will be comprised of Medicare funded patients. The estimated Medicare net revenue for year one is %10,455,000.

#### **ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The total project cost is estimated to be \$3,000.

**Historical Data Chart:** The Historical Data Chart is located on page 113 of the application. The applicant reports net operating income of \$2,591,458, \$2,126,254, and \$2,114,578 in years 2010, 2011, and 2012, respectively.

**Projected Data Chart:** The Projected Data Chart located is on page 115 of the application. The applicant projects 102,500 and 104,560 visits in years one and two with net operating revenues of \$2,233,800 and \$2,260,800 each year respectively.

The average gross charge in year one is projected to be \$170.00, with an average deduction of \$31.85, resulting in an average net charge of \$138.15. In year two, the average gross charge is estimated to be \$175.0, with an average deduction of \$36.07, resulting in an average net charge of \$138.93.

The applicant determined no alternative to this proposal would be advantageous to both Franklin County residents and NHC/OP, LP. This proposal was chosen because it is economically and operationally feasible.

Medicare (CMS) has converted the payment method for home care agencies from per visit to per episode and at the same time changed from a cost reimbursement to the perspective payment. With the exception of Medicare, all other payers continue to recognize visit as the payment unit for home health.

#### **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE**

The applicant provides a listing of all working relationships, contracts and transfer agreement on page 41 of the application.

NHC/OP, LP anticipates only positive effects from this proposal and will continue with their commitment to improve efficiency and care. As reimbursement is no longer a reflection of cost, it is important to the survival of homecare operations to reduce costs where possible.

Staffing for services to Franklin County patients will be provided by NHC HomeCare, McMinnville (a branch of NHC HomeCare, Murfreesboro. Staff includes .42 FTE skilled nurses, .09 FTE home health aides, .28 FTE physical therapists, .04 FTE occupational therapists, .01 FTE speech therapist, and .01 FTE social worker.

NHC/OP, LP participates in training of nursing students and has contracts with Middle Tennessee State University, Cumberland University, and Tennessee Tech.

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities. The most recent licensure survey and complaint survey were conducted on 12/13-15/2011. A copy of the survey is included at the end of the application.

#### **SPECIFIC CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

#### **HOME HEALTH SERVICES**

1. The need for home health agencies/services shall be determined on a county by county basis.

*The service area is Franklin County.*

2. In a given county, 1.5 percent of the total population will be considered as the need estimate for home health services in that county.

The 1.5 percent formula will be applied as a general guideline, as a means of comparison within the proposed service area.

#### **Home Health Patients and Need in Service Area**

<b>County</b>	<b># of Agencies Serving</b>	<b>Total Patients Served</b>	<b>2017 Population</b>	<b>1.5% of Guideline</b>
Franklin	19	1,526	41,842	(898)

*Joint Annual Report of Home Health Agencies, 2012 Tennessee Department of Health Division of Policy, Planning, and Assessment*

3. Using recognized population sources, projections for four years into the future will be used.

*The total 2013 population projection for Franklin County is 41,099, increasing to 41,842 in 2017, an increase of 1.8%.*

4. The use rate of existing home health agencies in the county will be determined by examining the latest utilization rate as calculated in the Joint Annual Report of existing home health agencies in the service area.

Based on the number of patients served by home health agencies in the service area, an estimation will be made as to how many patients could be served in the future.

***Home Health Patients and Need in Service Area***

<b><i>County</i></b>	<b><i># of Agencies Serving</i></b>	<b><i>Total Patients Served</i></b>	<b><i>2017 Population</i></b>	<b><i>1.5% of Guideline</i></b>
<i>Franklin</i>	<i>19</i>	<i>1,526</i>	<i>41,842</i>	<i>(898)</i>

*Joint Annual Report of Home Health Agencies, 2012 Tennessee Department of Health  
Division of Policy, Planning, and Assessment*

5. Documentation from referral sources:
  - a. The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.
  - b. The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.
  - c. The applicant shall provide letters from potential patients or providers in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.
  - d. The applicant shall provide information concerning whether a proposed agency would provide services different from those services offered by existing agencies.

*This criterion is not applicable.*

6. The proposed charges shall be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas.
  - a. The average cost per visit by service category shall be listed.
  - b. The average cost per patient based upon the projected number of visits per patient shall be listed.

*The average gross charge in year one is projected to be \$170.00, with an average deduction of \$31.85, resulting in an average net charge of \$138.15. In year two, the average gross charge is estimated to be \$175.0, with an average deduction of \$36.07, resulting in an average net charge of \$138.93.*

*Charges are comparable to other home health agencies in Franklin County.*